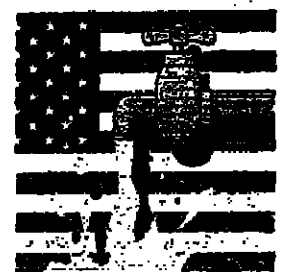


eru escapes
e of storm



The river runs dry
'The issue is the enduring belief that California is up to its old water-grabbing tricks'



It's a knockout
'Perhaps I am a coward and a degenerate, but I like boxing. I hate violence, but I like boxing'

FT

FINANCIAL TIMES

NOVEMBER 8 / NOVEMBER 9 1997



Flower power
'If in doubt, rename it; if you have no idea what you're doing, send out an enormous bill'



Great escapes
'Plan your Christmas getaway - before it's too late'

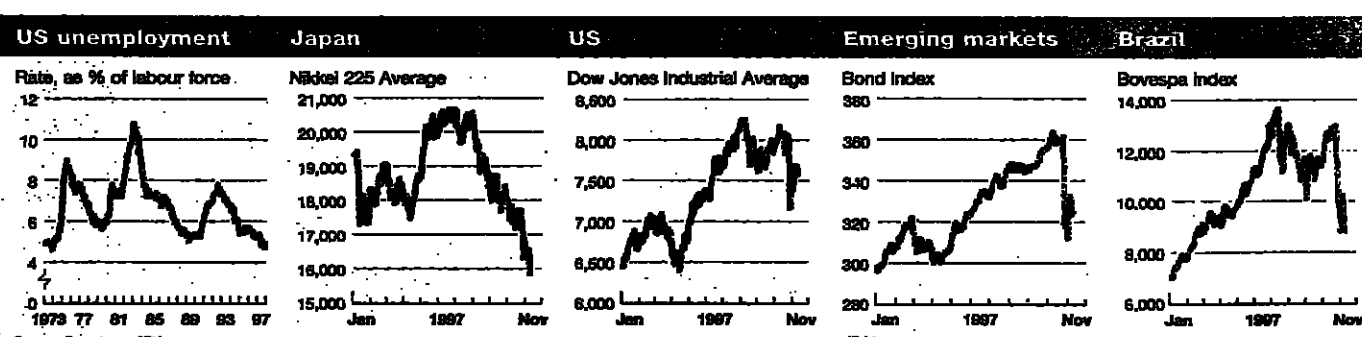
Concerns about Japanese financial system and speculative attacks on currencies add to pessimism

Markets slide again amid worries over US loan rates

By Philip Coggan in London and Adrienne Roberts in Washington

World equity markets tumbled again yesterday as concerns mounted about the health of the Japanese financial system, US employment data revived fears of an interest rate rise and emerging market currencies suffered speculative attacks.

US unemployment rose by an annual 4.2 per cent - the highest figure since 1989. "So much for the argument that there is no wage pressure visible in the statistics," said Christopher Low, economist at HSBC Markets in New York.



and that wages are rising, and that unemployment is down to the lowest level in more than two decades, is that we have opened new markets and won new customers for American goods and services," he said.

Following the figures, the Dow Jones Industrial Average fell sharply in the first few minutes and, despite a modest recovery, was still about 150 points down at 7,332 an hour before the close.

The fall on Wall Street prompted the dollar to dip to a five-month low, and the yen to hit a six-month nadir against the D-Mark as investors sold US and Japanese assets and looked to the German and Swiss currencies as safe havens.

The trading day started badly, with the Nikkei 225 average dropping 4.2 per cent to 15,896, its lowest level for more than two years. This increased the pressure on the financial sector, which has big shareholdings in the corporate sector.

Bargains aplenty at Bangkok's bizarre bazaar

By John Ridding in Hong Kong and Ted Bardacke in Bangkok

SE Asia's used-to-be-rich cut down on luxuries as the bubble bursts

When the light aircraft, called to find a buyer, the owner threw in two Mercedes for the baht 4.75m (\$123,000) asking price. A hydrofoil and a fleet of limousines were also on offer at Bangkok's "used-to-be-rich" market.

The impact of the downturn varies. Thailand and Indonesia are among the worst affected, with bankruptcies and austerity policies forcing emergency sales.

"We have seen a softening in south-east Asia," said Charles Williams, division vice-president of Gulfstream, the executive jet manufacturer. "People are wanting to wait."

An agent for a motor yacht manufacturer added: "The Asian market has simply dried up, but North Asia remains quite robust."

"Even if Li Ka-shing loses HK\$4bn or HK\$4bn when the market goes down, he is still a US dollar billionaire," said a Hong Kong banker, referring to the territory's most prominent businessman. "I don't think he is going to forgo the new Mercedes."

In Korea, Kim Sung Joo said the luxury brands he markets continue to be snapped up by country's wealthiest consumers. "Our autumn season went very well," added the chief executive of Sung Joo International, which represents designers Yves Saint

News General

French truck strike ends

The trucking dispute which has paralysed France for five days ended when employers and the main union signed a pay deal giving an immediate 6 per cent increase as part of a three-stage rise to a monthly FF10,000 (\$1,700) for 200 hours work by 2000. Two smaller unions rejected the deal, saying it did not go far enough, but the protest was crumbling as barricades came down at key points. Page 2; Cool Britannia seduces French, Page 5

Fast-track vote delayed: US congressional leaders have postponed the crucial fast-track trade vote until this weekend - just after President Clinton made a last-ditch TV appeal for passage of the legislation. Mr Clinton said he was close to getting the 218 votes he needed in the House of Representatives, but it was clear he did not yet have a majority and needed more time for horse-trading. Page 4; Brussels backs off, Page 2

Bolsheviks' true believers: Across Russia this week the Bolshevik believers have been out in what force they could muster to commemorate the 80th anniversary of the October Revolution. They are today's equivalents of Russia's Old Believers, who refused to accept any religious change in the 17th century and preferred isolation and death to conversion. Page 6

Iraq still defies the UN: A UN mission left Baghdad after apparently failing to end Iraq's ban on US weapons inspectors, raising the prospect of heightened confrontation with the Security Council and more UN sanctions on Iraq. President Clinton said he saw no reason to hope that Iraqi president Saddam Hussein would back down in his stand-off with the UN. Page 3

Forza Opera!

Sir Richard Eyre has been handed a poisoned chalice - by May he must come up with a solution to the financial problems of the Royal Opera House. Will he capture the mood of the Blair government by privatising Covent Garden and handing management to a charitable trust, to be run commercially? Or will he be tempted to retain subsidies? Andrew Clark has some advice.



Page 7

News Business

Canal Plus stake worries

Directors of French pay TV group Canal Plus have expressed concern at the decision by South African TV operator MTH to sell a 4 per cent stake in CP to an unidentified buyer on October 21, before the release of price-sensitive information. Earlier this week Canal Plus announced subscriber numbers in its Italian subsidiary Telepiu - acquired earlier this year - had been overstated by 15 per cent, and its shares fell FF16 (\$1.35) to FF1,012 the next day. Page 24

Hongkong Telecom builds \$1.9bn cash pile: Hongkong Telecom, the territory's dominant telecoms group, has built up a HK\$1.9bn (\$1.94bn) cash pile. Chief executive Linus Cheung did not point to any progress in mainland investments, but signalled possible regional deals helped by the turmoil in Asia's stock markets. Page 24

Saudi borrow \$4.3bn for aircraft: Speculation about a Saudi Arabia would pay for a politically sensitive \$7.5bn civilian aircraft order ended when it emerged that J.P. Morgan was co-ordinating a \$4.3bn syndicated loan guaranteed by the kingdom. The Saudi government would have preferred not to have guaranteed the deal but Saudi, the country's troubled airline, was unable to secure international credit on its own. Page 2

No cash missing, says Trustor chief: Lord Moynie, the Guinness heir, broke his silence to claim that no cash was missing from Trustor, the Swedish investment company under investigation over an alleged misappropriation of funds. He said the location of assets and funds had been established and that he planned to resign and sell his shares "when appropriate." Page 22; When Guinness isn't good for you, Page 7

Man in the News

Wim Duisenberg
The 62-year-old Dutch central banker was until this week set to be the first president of the European Central Bank. France's nomination of Jean-Claude Trichet, president of the Bank of France, underlines an inherently political element in a supposedly non-political job.



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Tietmeyer rules himself out, page 2

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NEWS: INTERNATIONAL

Saudis borrow \$4.3bn for aircraft deal

By Robert Corzine and
Roula Khalaf in London

Speculation about how Saudi Arabia would pay for a politically sensitive \$7.5bn civil aircraft order ended yesterday when it emerged that J.P. Morgan was co-ordinating a \$4.3bn syndicated loan guaranteed by the kingdom.

It is only the second major international borrowing by the kingdom since the end of the Gulf war.

The Saudi government

would have preferred not to have guaranteed the deal. But Saudi, the country's troubled airline, was unable to secure international credit on its own.

Analysts said yesterday that the government guarantee was likely to allow the authorities to exert more pressure for reform of the airline.

Delays in deciding how to finance the aircraft had threatened to become a political embarrassment for the Saudi government.

The order for 61 Boeing and McDonnell Douglas aircraft was made two years ago after pressure from Washington, which saw the deal as Saudi repayment for US military action during the Gulf war.

President Bill Clinton urged King Fahd at the time to favour the US companies over their European rival, Airbus Industrie.

The loan facility - a seven-year revolving credit with a two-year grace period - is priced at 18.5 basis points

over Libor for the first three years, 22.5 basis points in years four and five and 34.5 basis points for the last two years.

Senior lead managers include Chase Manhattan, Saudi American Bank, in which Citibank has a stake, National Commercial Bank, and Gulf International Bank.

Bankers said that the pricing was very advantageous for a Middle East borrower.

The syndicated loan will

ensure that the Saudi government can fund the first few payments for aircraft, the first of which is due this year.

Bankers said yesterday that the loan would easily be taken up by international banks.

"It is a difficult time to float anything but there will be real interest in the loan," said one banker with dealings in Saudi Arabia. "The Saudis repaid in advance when they borrowed internationally in 1991 after the

Gulf war. They have no huge foreign debt and their macro-economic numbers are good."

Saudi Arabia's net external borrowings in 1997 are estimated at just \$191m, although a recent forecast by the Petroleum Finance Company suggested that figure would grow to \$3.4bn by 2000.

J.P. Morgan arranged another loan in 1991 for \$4.5bn which the Saudis repaid well before its maturity.

Brussels backs off in drugs dispute

By Guy de Jonquieres in
London, James Blyth in
Rome and Neil Buckley in
Brussels

The threat of a transatlantic trade war over planned European Union meat safety rules receded last night, when a senior US official said progress had been made in negotiations aimed at settling the dispute.

"We have taken the first major step away from confrontation towards a co-operative solution," Stuart Eizenstat, US under-secretary of state, said after talks with EU officials. "There is a very clear indication there is a desire for a settlement."

The US has threatened to bring a World Trade Organization complaint and take other retaliatory measures, if the EU goes ahead in January with planned restrictions on meat by-products judged to present a risk of mad cow disease.

Washington says the proposed ban could block \$4.5bn of US exports of pharmaceuticals and medicines containing meat by-products, such as tallow and gelatin. It insists the US has no history of mad cow disease.

However, the EU says the US has suffered cases of scrapie, a disease affecting sheep which is believed to be the origin of mad cow disease.

Mr Eizenstat said the EU had shown enough commitment in the talks to persuade him that it was serious about settling the dispute. However, he warned that a settlement was still far off.

He was speaking in Rome at the Transatlantic Business Dialogue, a US-EU industry forum, at which pharmaceuticals industry executives claimed to have persuaded European Commission officials to reconsider the ban.

European executives said they had received assurances from Stefano Micossi, head of the commission's industry directorate. "He is told us the commission is concerned about the impact this could have on the supply of drugs and that a new decision would be taken later this year," one executive said.

Rolf Krebs, the vice-chairman of Boehringer Ingelheim, a German pharmaceuticals and chemicals group, said the deal under discussion involved a possible exemption from the ban in return for tighter controls on drugs manufacturing.

In Brussels, Emma Bonino, EU consumer affairs commissioner, also held out an olive branch to the US saying she accepted the need for "life-saving and essential medicines" to be exempted from the ban.

The game gets under way in central Asia

Playing superpowers off against each other has its dangers, writes Charles Clover

In 1780 Sultan Abul, who would eventually become Abul Khan, one of the greatest Kazakh chieftains of central Asia, was not a particularly important man.

His "Middle Horde" was one of many that roamed the vast expanse from the Tien Shan mountains to the Caspian Sea and collected tribute from traders along the "Silk Road" between Europe and China.

He achieved his greatness, though, not with cold steel and war ponies as his Mongol ancestors had, but with cunning diplomacy. It is this diplomatic legacy that Kazakhstan's President Nursultan Nazarbayev aims to inherit.

The Middle Horde was blessed with unique political geography, located between the Russian empire to the west and the Chinese one to the east. Sultan Abul, like most of his central Asian contemporaries, paid tribute to Russia.

But in 1780, he abruptly paid tribute to the Chinese emperor Kien Ling, and then presented the Chinese ambassador to the Kazakh city of Semipalatinsk with one of his own sons as "amanat", or security.

This did not go unnoticed in St Petersburg. Catherine the Great, empress of Russia, sought to bring Sultan Abul back under Russia's wing, buying him a palace and a village near Petrovsk. Then she gave him an annual allowance of 212 "poods" of grain, and eventually presented him with the title of Khan, making him supreme ruler of the Kazakh hordes.

A little over two centuries later, Mr Nazarbayev is playing the same game.

Instead of offering the Chinese his sons, he has offered them oil fields. In two cen-

tracts worth \$9.5bn and signed in September, the Chinese National Petroleum Company bought two Kazakh oil companies and laid plans to build a pipeline connecting them to China.

Russia, concerned that control of central Asia might slip decisively eastwards, has hastily responded. Last week, Russia's defence minister, Igor Sergeev, was in Almaty, promising fighter aircraft and trying to settle Russian debts to Kazakhstan for the rent of military installations such as the Bakhmur space centre.

"We Have Become Participants in the Great Game," proclaimed the headline of

Some are more critical of Kazakhstan's flirtation with China, fearing it may lead to a shotgun wedding

an editorial last month in Kazakhstanskaya Pravda, Kazakhstan's official newspaper.

"It is not just economic, but demographic factors that are driving China. This is why they want to build relations with Kazakhstan. Kazakhstan must be careful, because there is talk not just of trade and economic relations, but of the potential of population movement on to the territory of Kazakhstan," Mr Auevov said.

CNPC has promised to build a pipeline which could transport as much as 400,000 barrels a day of Kazakh oil to western China, to be refined there or transported on in another planned pipeline from the Tarim basin.

If there was any doubt as to how the Chinese might pay for this venture, it was eased in mid-October when Hongkong Bank, once the largest bank in Hong Kong

and now the largest in China, set up an office in Almaty.

Kazakhstan's flirtation with China is no flake. Many other countries in the former Soviet Union are starting to take advantage of the increasing superpower competition in the region in order to play the old cold war game of balancing.

Last week, for example, Ukraine hosted naval manoeuvres with Russia just a few months after a similar set of exercises with Nato.

"Of course we know that they [Ukraine] are using the competition between us and the United States to their advantage," said a high-ranking official in the Russian foreign ministry in a recent interview.

Some are more critical of Kazakhstan's flirtation with China, however, fearing it may lead to a shotgun wedding.

Murat Auevov was once Kazakhstan's ambassador to Beijing and is one of the country's leading intellectuals. "It's true that in his time, Abul Khan built his diplomacy on manoeuvring between [Russia and China]. But the 18th century and the 20th century are two different situations," he said.

"It is not just economic, but demographic factors that are driving China. This is why they want to build relations with Kazakhstan. Kazakhstan must be careful, because there is talk not just of trade and economic relations, but of the potential of population movement on to the territory of Kazakhstan," Mr Auevov said.

Many observers have noted with some concern increased ethnic Chinese migration to the Xinjiang region, on Kazakhstan's border, which some say is driven by population pressures. The migration has



Central Asia's vast expanses - located between Russia and China, Kazakh rulers past and present have ridden a cunning diplomatic path

coincided with a Chinese crackdown on the region's native Uighur population which began in April 1996 and is reported to have led to thousands of arrests and possibly hundreds of deaths.

Despite this, the pull of China has not only affected Kazakhstan's foreign policy priorities and export logistics, but has even caused a subtle shift in the country's evolving cultural identity in the vacuum left by the Soviet Union.

Along with most of central Asia, Kazakhstan began its independence searching for its identity among its linguistic brethren in Turkey, but now the "tiger" economies of east Asia are the rage, despite their recent troubles.

"Tigers are not found in

central Asia. Instead, we will be central Asia's first snow leopard," declared Mr Nazarbayev in the introduction to his strategic plan for 2030, in which he outlined the path to emulate east Asia.

Umrzak Shukhev, former Kazakh economy minister, echoed Mr Nazarbayev's vision but added a note of caution: "As for tigers, they all had one thing in common: colossal foreign investment. But such investments are always underpinned by underlying political schemes. I don't know whether we have these political circumstances here."

Mr Nazarbayev, heir to Abul Khan's tradition, may be aiming to create those circumstances through shrewd diplomacy.

NEWS DIGEST

Oslo inflation powers sought

Norway's central bank has proposed a sweeping reform of the country's economic policy by urging the new centre-right government to allow it to use interest rates to fight inflation.

For more than a decade Norges Bank has been restricted to maintaining a stable currency, leaving responsibility for managing inflation to government fiscal measures.

The bank yesterday warned the government it could no longer rely on fiscal policy alone to prevent overheating in the economy, which is predicted to grow by 3.9 per cent this year and 4.6 per cent in 1998. Senior bank officials said a further fiscal tightening was necessary to counter inflationary pressures. The new coalition government, however, yesterday vowed to reduce fiscal tightening to 0.5 per cent of mainland GDP, excluding oil, gas and shipping.

Tim Burt, Stockholm

SOUTH KOREA POLL

President stresses neutrality

South Korea's President Kim Young-sam yesterday quit the ruling party in a move to ensure his political neutrality and promote a fair presidential election next month to choose his successor.

Mr Kim has recently been accused of secretly backing an independent candidate, Rhee In-je, a former provincial governor and protégé of the president who launched a new political party this week.

The president has denied any involvement in Mr Rhee's campaign, although many of Mr Kim's supporters have left the ruling party for the new candidate. Allegations that he is backing Mr Rhee could hurt the latter's candidacy, as the president is unpopular, with an approval rating close to single digits.

The latest opinion poll has Kim Dae-jung, the veteran leader of the centre-left opposition, in the lead with 40 per cent, followed by Mr Rhee with 32 per cent and Mr Lee with 16 per cent.

John Burton, Seoul

MASSACHUSETTS

Death penalty bill defeated

Death penalty opponents are celebrating the narrow defeat of a capital punishment bill in the Massachusetts legislature after one representative, citing the Louise Woodward case, switched his vote on Thursday evening.

Representative John Slattery said the conviction of the British au pair for second degree murder last week had convinced him that "we can't always be certain that we executed the right guy". Paul Hill, who served 15 years in an English prison for a 1974 bombing before being exonerated, also lobbied heavily against the Massachusetts bill.

Just a week ago, passage of the death penalty looked certain. However, the bill was defeated in the House of Representatives in an 80-80 vote tie.

The close call shocked capital punishment opponents, who had long considered the liberal state safely on their side.

Victoria Griffith, Boston

SEC RULE CHANGE

Derivatives trade proposal

The US Securities and Exchange Commission is about to propose a rule change which would allow securities firms to establish a separate US affiliate for dealing in over-the-counter derivative instruments. This would reduce the level of capital required. The affiliate "would be subject to different regulatory requirements, including more flexible margin rules, and net capital requirements," said Arthur Levitt, SEC chairman, at the Securities Industry Association's annual conference.

At present, such business has to be conducted by fully regulated broker-dealers in the US. In practice, many securities firms book some derivatives trades outside the US to avoid stiff capital requirements.

Tracy Corrigan, Boca Raton

GERMAN PRICES

Cheaper food curbs inflation

German consumer price inflation eased in October to an annual rate of 1.8 per cent from 1.9 per cent, mainly because of declines in the price of seasonal foods, the Federal Statistics Office said yesterday.

Consumer prices fell 0.1 per cent in October from September. In September, the month-on-month drop in prices had been bigger at 0.3 per cent.

The office also published final data for west Germany showing annual inflation eased to 1.7 per cent in October from 1.8 per cent in September, confirming preliminary data.

Reuters, Wiesbaden

INDIAN CENTRAL BANK

Economist Jalan to head RBI

The Indian government yesterday named a respected economist and senior planning official as governor of the Reserve Bank of India (RBI), the central bank.

"The prime minister has approved the appointment of Dr Bimal Jalan as the governor of the Reserve Bank of India," said P. Chidambaram, finance minister, adding that Mr Jalan's elevation to the nation's top monetary job signalled a continuity in policy.

The Ninth Plan for 1997-2002 aims to continue the process of liberalisation launched in 1991 and aims for 7 per cent annual growth in gross domestic product over the five years.

Reuters, New Delhi

GREEK CURRENCY POLICY

Drachma eurobond planned

Greece yesterday signalled its determination to defend the drachma against speculative attacks by announcing it would issue a drachma eurobond linked to the Ecu and euro on Monday.

The central bank governor, Loukas Papademos, denied rumours on Asian markets that the Greek currency was about to be devalued, saying the Socialist government and the Bank of Greece would maintain the strong drachma policy. He said the eurobond issue underlined the commitment to a stable exchange rate.

The policy, which aims to limit the drachma's depreciation against the Ecu to less than 1 per cent this year, has contributed to a steady decline in inflation, although Greek bankers and exporters say the currency is overvalued. The annual inflation rate slowed to 4.7 per cent in October from 4.9 the previous month.

Kerin Hope, Athens

TUNISIA

President promises pluralism

Tunisian President Zine al-Abidine Ben Ali marked his 10 years in power yesterday with a pledge to boost political pluralism and press freedom.

Mr Ben Ali said in a speech at the presidential palace of Carthage that the electoral law would be amended to enable opposition party candidates to win at least 20 per cent of the seats at parliament and municipal councils.

Mr Ben Ali also pledged to search for a way that would allow several candidates to stand in the next presidential elections. He won the 1989 and 1994 presidential elections unopposed.

Reuters, Tunis

Leadership battle could sap confidence in single currency - Bundesbank

Tietmeyer urges quick ECB decision

By Andrew Fisher and
Peter Norman in Frankfurt

Hans Tietmeyer, president of the Bundesbank, yesterday called for a quick answer to the question of who would be the first head of the European central bank.

He said a prolonged dispute could endanger confidence in the single currency.

Mr Tietmeyer also ruled himself out as a candidate for the job, in response to a suggestion by Roman Prodi, Italy's prime minister, that he should put himself forward. "I have said clearly

that I am not a candidate. I do not regard it as the best solution that a German should be the first president of the ECB."

He declined to comment directly on the French proposal that Jean-Claude Trichet, governor of the Bank of France, should be the Frankfurt-based ECB's first president.

But he said in an interview with the Financial Times it was important that the choice did not lead to long conflicts.

Mr Tietmeyer has made no secret of his support for Wim

Duisenberg, the head of the European Monetary Institute, the precursor of the ECB. Mr Duisenberg, former head of the Dutch central bank, has also gained the support of other central bank governors.

The ECB would have to be ready to start operations by the middle of next year, after the member countries of European monetary union had been chosen, he said. The European parliament would also have to be consulted. "Too long a delay [in choosing the ECB president] would not be good."

The ECB still had to build up its organisation and select which monetary policy and other instruments to choose from the options prepared for it by the EMI. "A host of decisions have to be made."

Mr Tietmeyer was also cool towards German Chancellor Helmut Kohl's idea of leaving open a seat on the six-member ECB board for Britain. Mr Kohl said that keeping a seat vacant for the UK would make it easier for the country to make a late entry into Ecu.

Mr Tietmeyer said the

Maastricht Treaty did not allow for reserving a seat for any individual country. Not all countries in Ecu could be represented on the board and nationality should not be a criterion.

"In my view, all members [of the ECB board] are ultimately responsible for the common interest. That is why there will be 'one person, one vote'."

Seats could be left vacant at the ECB if Ecu began with only a few members, he noted. This would provide for later enlargement of the euro area.

Truckers lift barricades after winning 6% rise

By Robert Graham in Paris

The French trucking dispute which has paralysed the country for five days ended last night when France's haulage companies and the main drivers' union signed an outline pay deal.

Two truckers' unions rejected the accord, saying it did not go far enough to cover all categories of driver, but last night the protest appeared to be crumbling. Barricades at some of the most important points were withdrawn.

Employers did not rule out continued protests by disgruntled militants and anticipated further difficulties in tidying up the small print.

The core of the agreement is an immediate 6 per cent increase for truckers as part of a three-stage rise to a monthly FF10,000 (\$1,700)

for 200 hours work by 2000. The big trucking companies had resisted such a big immediate pay-out, while the smaller ones had offered a 5 per cent increase. The unions will also get a FF8,000 one-off payment promised last November after their previous 12-day stoppage but paid out to only 10 per cent of drivers.

The haulage companies in return have obtained pledges from the government to help with preparations for European deregulation next year. They also won an annual FF800 tax break per driver.

In response to strong protests from France's main European trading partners over the interference to the free movement of international freight since the protest began last Sunday, the Jospin government has promised compensation for

losses incurred. The government has also undertaken to speed up the large backlog of claims pending from the 1996 truckers' strike.

● Fears that Italy could be hit by a one-week truck drivers' strike next week have evaporated after the government and owners of truck companies agreed on plans to boost the sector, writes James Blitt in Rome.

The deal came after the government decided to reduce value-added tax on fuel for truck drivers, which the drivers say makes it more expensive to run trucks in Italy than elsewhere in Europe.

The government has also agreed on measures to boost the haulage business, costing around L144bn (\$84m). The drivers want part of the cash to be used to reduce tolls on Italian motorways.

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RC Luxembourg 31439

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is to be held at the registered office of the Company on Monday, 17th November 1997 at 11.30 a.m. (or as soon thereafter as it may be held) for the following purposes:

1. To receive and adopt the Directors' Report and the Report of the Auditor for the year to 31st July 1997.
2. To receive and adopt the Statement of Net Assets and the Statement of Questions for the year to 31st July 1997.
3. To grant a discharge to the Directors in respect of their duties for the year ended 31st July 1997.
4. To grant a discharge to the Auditors in respect of their duties for the year ended 31st July 1997.
5. To elect Messrs P. de Giffels, Jean Y. Serv, Paul, and Pyke as Directors of the Company.
6. To appoint Mr Mark Alexander Bognard, previously elected to the Board by the Directors to fill the vacancy left by the resignation of Mr Phillips, as Director of the Company.
7. To re-appoint Pricewaterhouse as Auditors.

Shareholders are advised that in accordance with the Articles of Incorporation the Annual General Meeting of Shareholders will require a quorum of 10% of the shares outstanding.

In order to vote at the meeting the holders of bearer shares must deposit their shares not later than Thursday 13th November 1997 either at the registered office of the Company, or with any bank or financial institution acceptable to the Company, and the relevant Deposit Receipt (which may be obtained from the registered office of the Company) must be forwarded to the registered office of the Company to arrive not later than Friday 14th November 1997. The shares so deposited will remain blocked until the day following the meeting or any adjournment thereof.

The holders of registered shares need not deposit their certificates but can be present in person or represented by a duly appointed proxy.

Shareholders who cannot attend the meeting in person are invited to send a duly completed and signed proxy form to the registered office to arrive not later than Friday 14th November 1997.

Proxy forms will be sent to registered Shareholders with a copy of this Notice and can be obtained from the registered office.

The Board of Directors

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Baghdad may face further sanctions as hopes fade of backdown by Saddam in arms inspection row

UN envoys fail to end deadlock with Iraq

By Bruce Clark, Fionna Kinsler and Michael Littlejohns

A United Nations mission left Baghdad yesterday after apparently failing to end the Iraqi ban on US weapons inspectors. This raised the spectre of heightened confrontation with the UN Security Council and additional UN sanctions on Iraq.

President Bill Clinton said he saw no reason to hope that Iraq's President Saddam Hussein would back down in his stand-off with the UN over arms inspections.

Comments from both Mr Clinton and other US officials

suggested that military action might become inevitable soon, but diplomatic procedures had some way to run.

Baghdad said yesterday it was ready for "constructive dialogue" to resolve the crisis through further discussions in New York. The US has insisted that diplomatic attempts to resolve the stand-off not be turned into negotiations, but the State Department yesterday said it would grant a visa to Tariq Aziz, Iraqi deputy prime minister, to allow him to speak to UN officials in New York.

As UN envoys, led by Algerian diplomat Lakhdar Brahimi, were heading home from Baghdad, Iraq banned US weapons monitors on the UN special commission charged with dismantling Iraq (UNSCOM) for a fifth day.

The Iraqi ban was sparked by a Security Council threat to impose a travel ban on Iraqi officials. But Mr Saddam's intransigence may speed up the implementation of the Security Council threat. UN officials said yesterday they expected no action until the secretary general supplied an authoritative report on Monday on the Baghdad talks.

But one option being canvassed is a resolution to apply immediately the overseas travel ban on senior Iraqi military and intelligence officers, to which Russia, France and China objected before the row over Americans in the monitoring teams developed.

Some diplomats said last night that President Saddam's obduracy made it unlikely that Moscow and Beijing would oppose the ban, weak though it might be as a response to the crisis. French support is reported to have been assured.

William Cohen, the US defence secretary, said earlier that the UN should be given an opportunity to decide whether to intensify economic sanctions or authorise military action. "We can have greater economic sanctions, there are a variety of things that can be done," said Mr Cohen. "There are military options as well, but we at least ought to give the (UN) inspectors a chance to come back... and make a recommendation."

In Baghdad, Mr Aziz said Iraq was extending the deadline for the expulsion of US nationals on UNSCOM, but he again warned the UN not to use US spy planes during the crisis. A Pentagon official, meanwhile, warned Iraq that any attempt to shoot down a UN surveillance aircraft would be considered an act of war and incur retaliation.

Mr Aziz made clear Iraq was seeking changes in the make-up of the UN special commission. Iraq was not seeking a confrontation with the UN Security Council, he said, but it had reached the conclusion that UNSCOM was being used by the US to maintain the sanctions against Iraq.

Chuan to be Thai premier

By Ted Berdicks in Bangkok

The leader of Thailand's opposition Democrat party, the former prime minister Chuan Leekpai, is set to be named the country's new premier today after losing dozens of MPs from the ruling coalition.

Barring any overnight mishaps, Mr Chuan will today submit at least 210 names of MPs willing to support him in a government coalition with at least seven political parties. A prospective premier needs 197 MPs.

Mr Chuan, 58, became the longest-serving elected prime minister in Thailand's history when he served from 1992 to 1995. His Democrat party counts among its members and supporters some of the country's most respected economists and bankers, and swept all but three parliamentary seats in Bangkok in the last general election a year ago.

The stock market ended 3.1 per cent higher on news that Mr Chuan would take over from Chavalit Yongchaiyudh, whose resignation took effect yesterday. The baht was also firmer, closing at Bt37.50 to the US dollar yesterday, compared with Bt39.10 on Thursday.

Mr Chuan persuaded two small parties to defect from the current six-party coalition and then created a rift in a third small party, Thai Citizens, which saw at least 12 of its 18 MPs defect to the opposition camp while the party's leader vowed to remain with the outgoing government coalition.

Mr Chavalit's New Aspiration party, the largest party in parliament, and the Chart Pattana party, the third largest, will enter the opposition.

Mr Chuan has had to recruit support from a number of discredited politicians. These include Vatan Asavahame, who has been denied a visa to the US because of suspicions that he was involved in the drug trade, and Suchart Tanchanone, a suspect in the Bangkok Bank of Commerce land scandal which eventually cost the country's central bank more than \$3bn.

Thailand's revered King Bhumibol Adulyadej, 89, the world's longest-reigning monarch, was released from hospital yesterday and received a clean bill of health from a team of coronary specialists.

The king, who had heart surgery twice in 1995, had developed an irregular cardiac pattern through a condition called arrhythmia, when he became "tired" as a result of his "routine schedule", a palace statement said.

China swims against tide to fulfil Mao's Yangtze dream

'Now I am swimming across the great Yangtze... Great plans are afoot: Walls of stone will stand upstream to the west/To hold back Wushan's clouds and rain/Till a smooth lake rises in the narrow gorges' - 'Swimming' by Mao Zedong, 1956

The damming of the Yangtze, referred to so poetically by Chairman Mao after his famous dip in the muddy river in 1956 and so critically by environmentalists ever since, begins today.

China is treating the blocking of the river, which will allow the construction of the \$29bn Three Gorges power project, as a historic milestone and a symbol of the country's economic development.

Li Peng, China's prime minister, will attend today's ceremony overseeing the start of the dam's construction, when thousands of workers will begin to block the main channel of the Yangtze near Yichang in western China.

"This project will prove that China has the technical ability to tackle the world's largest hydropower plant," Guo Xuyun, vice-chairman of the Three Gorges construction committee under the State Council, said yesterday.

The Three Gorges project, the country's most ambitious engineering project, is intended to help answer China's fast growing demand for energy, as well as to prevent flooding along the Yangtze.

The idea for the dam is said to have started with Sun Yat-sen, China's first president after the fall of the last Qing dynasty emperor in 1911, and state media have trumpeted the start of the dam's construction as the fulfilment of one of China's longest-held ambitions.

However, the effective media coverage has only reinforced the awareness that the Three Gorges project and the blocking of the river are highly controversial both inside and outside China.

Damming the Yangtze will inundate a vast area, creating a 600km lake that will force the relocation of more than 1.2m people.

Environmentalists have argued that a series of smaller hydroelectric dams on the Yangtze tributaries would be a more efficient way of generating power and managing the flood-prone river.

They have also warned that creating such a vast reservoir could trap tonnes of industrial and human waste, as well as having an unpredictable seismicological impact.

Other critics have objected that the huge body of water will submerge archaeological treasures and historical relics.

Officials managing the mass evacuation of people from the area say the relocation programme is progressing smoothly.

Qi Lin, director of resettlement under the State Council, said 94,000 people had already been moved, in a programme expected to cost about \$4.8bn.

"We can guarantee the living standards of the people resettled," he was quoted as saying yesterday.

On completion, the Three Gorges power plant will include 26 generators producing 18,200MW of electricity, roughly equivalent to a tenth of China's energy demand. Initial construction on the project began in 1994 and it is due to be finished by 2011.

To build the dam, 100m tonnes of earth and rock will be dug up and replaced with 27m tonnes of cement and hundreds of thousands of tonnes of metal structures.

Or, to put it in the poetic terms used by Chairman Mao when he considered how the Yangtze's deities might view the development: "The mountain goddess if she is still there will marvel at a world so changed."

James Harding



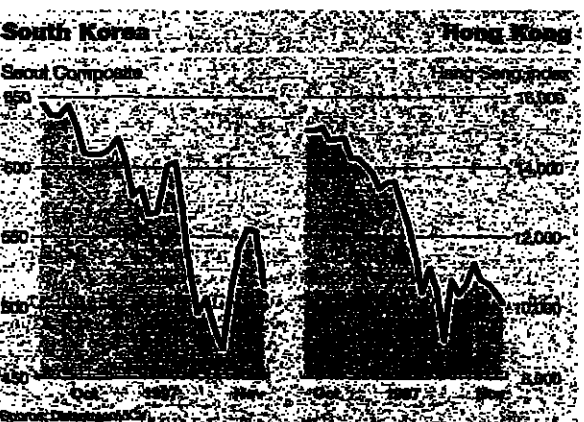
Lu Youmei, Three Gorges Project president (inset), and part of the construction

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East Asia's financial turmoil appears to be undiminished and is reaching into fresh areas



Vote of confidence in economy and exchange rate system

IMF hangs its hat on Hong Kong's peg

By John Ridding in Hong Kong

The International Monetary Fund yesterday gave a vote of support to Hong Kong's economy and its exchange rate system, but the rise in interest rates resulting from defence of the currency strained confidence and battered shares again.

In its annual assessment, the IMF described the territory's economic fundamentals as "sound" and claimed that the defence of the exchange rate link to the US dollar had "provided a welcome element of stability domestically and within the region".

Donald Tsang, Hong Kong's financial secretary, said the positive assessment would strengthen the territory's resolve in defending the 14-year exchange rate peg. He predicted interest rates would soon fall to normal levels and the stock market would stabilise once Asia's financial turmoil subsided.

Investors, however, were rattled by a further rise in money market interest rates and fears of further speculative assaults in the currency and share markets. Three-month interest rates climbed from 12.6 per cent to 13.5 per cent, adding to worries about a further rise in prime rates after last month's increase from 8.75 per cent to 9.5 per cent.

Interest rate jitters sent the blue chip Hang Seng share index down by more than 5 per cent at one stage, but it recovered some ground to close 2.96 per cent lower.

Currency economists cited several factors for the rise in money market rates, ranging from a defensive posture by banks seeking to avoid damage in a liquidity squeeze to moves by hedge funds to exert pressure on the currency and benefit from short positions on the stock market.

The "only certainty is the pain," said the head of capital markets at one Hong Kong bank.

The authorities' tough stance in support of the peg, the linchpin of the financial system, has fuelled concerns about damage to the property and banking sectors. However, one of the territory's biggest companies yesterday gave its backing to government policy.

"We believe the peg is here to stay and we are very supportive of the government's stance," said Linus Cheung, chief executive of Hongkong Telecom, a subsidiary of the UK's Cable & Wireless. The company said that it had no plans to switch its HK\$15bn (US\$1.94bn) cash reserves out of Hong Kong dollars and that it was benefiting from the rise in local interest rates.

In spite of its supportive assessment of policy and prospects, the IMF warned of slowing growth due to regional financial upheaval. "Even on the assumption of a relatively early firming of market sentiment, a persistence of somewhat higher interest rates, the drop in stock prices and turbulence within the region could slow growth to about 4.5 per cent in 1998."

This forecast, which is higher than several recent private-sector estimates, compares with the IMF's predicted GDP growth of 5.25 per cent to 5.5 per cent this year.

Korean currency wilts under pressure

By John Burton in Seoul and Simon Kuper in London

The continued fall of the South Korean currency, the won, yesterday rattled the Seoul and Tokyo stock markets on fears that the two economic rivals might engage in competitive currency devaluations to protect exports.

The won slumped to a new record low of 980.2 to the US dollar, which caused the Seoul bourse to suffer its biggest ever one-day plunge of nearly 7 per cent to 515.63 points. The won has fallen 1.2 per cent this week and has declined by nearly 15 per cent for the year.

Overseas investors, worried about foreign exchange losses, led the selling pressure, which was soon joined by domestic retail investors who had propped up the market over the past week after it hit a five-year low.

The benchmark three-year corporate bond yield rose to 12.8 per cent after the spread between the state-owned Korea Development Bank's 10-year global bond and US Treasury bonds more than doubled on Thursday to close at 300 basis points.

Nick Parsons, currency strategist at Paribas Capital Markets in London, said that problems in Korea could hit the world's stock markets, prompt new slides in southeast Asian currencies and rattle the Hong Kong dollar's currency peg.

"We are very worried about the situation there," he said. The won seems rapidly heading for the 1,000-level

that the authorities have designated as their line in the sand.

The currency fall, combined with recent credit ratings downgrades, has raised overseas borrowing costs for Korea's troubled banking sector and threatens to worsen a severe credit crunch that caused the collapse of six big conglomerates this year.

The loss of foreign confidence reflects worries that Korea will not be able to stop the slide in the won because its foreign currency reserves have fallen to \$20.5bn, which is less than the three-month import cover recommended by the International Monetary Fund.

The true size of the currency reserves may be much less since Korea has recently sold an unspecified amount of dollar forward contracts to defend the won. Estimates of Korea's forward position range from \$3bn to \$15bn.

A loss in the value of the Japanese yen will put further pressure on the won since Korea is depending on export growth to revive its sluggish economy.

A currency devaluation is bad news for Korean banks and debt-laden companies that are dependent for foreign loans to ease a credit crunch that threatens to bankrupt more conglomerates and increase the banks' non-performing loans to more than \$20bn. Corporate earnings are expected to fall sharply this year because of foreign exchange losses on overseas debt.

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Nikkei index slips as markets show strain

By Paul Abrahams in Tokyo, James Kyngse in Kuala Lumpur and agencies

Asian markets showed signs of strain yesterday as fears rose that the South Korean economy was nearing crisis point. There were also signs that the Hong Kong dollar might face another speculative assault.

In Japan, the Nikkei 225 index yesterday decisively punched through the 16,000 resistance mark, closing at its lowest for more than two years and raising fears about the solvency of much of Japan's financial sector.

The index tumbled 4.2 per cent to 15,838 in heavy trading, bringing its total losses since the start of October to 14 per cent. Recent falls have sharply reduced Japanese banks' unrealised gains on their securities holdings, causing concern about their capital adequacy ratios.

Smith Barney, the US broker, estimates six of Japan's banks may suffer losses on their equities portfolios at below the 16,000 level.

"The danger is that the market could enter a vicious downward spiral," warned Alicia Ogawa, head of equities at Salomon Brothers in Tokyo. "The market falls, the banks' capital is undermined, forcing them to raise funds by selling more shares, which in turn leads to lower prices. Given the gloomy economic outlook, the market could conceivably fall to 14,000."

In Indonesia, the state secretary, Mardiono, moved yesterday to calm markets by saying the government stood behind its decision to liquidate 16 ailing banks. An outburst by one of President Suharto's sons, and court challenges by two banks linked to members of his family, had confused markets over the past few days.

"The liquidation of 16 banks is still legally effective," Mr Mardiono told reporters at the state palace after Mr Suharto had discussed Indonesia's economic crisis with Strobo Talbott, US deputy secretary of state.

Dealers said fears of further co-ordinated central bank intervention kept the rupiah around the 3,280/100 level to the US dollar, little changed from 3,280/90 on Thursday. Jakarta stocks slid 12.6 points to close 2.67 per cent down at 466.12 yesterday.

Indonesia agreed on a big assistance and reform package with the International Monetary Fund last week to stabilise the currency and restore the economy. In Malaysia, where the ringgit closed yesterday at 3.2950/50 to the dollar compared with 3.3050 the previous day, and the benchmark Composite index fell 23.59 points, or 3.2 per cent, to close at 7,745, the central bank indicated monetary policy might have to be tightened in order to check inflationary pressures.

Ahmad Mohamad Don, the central bank governor, said that in spite of signs of slower growth in Malaysia, the central bank's response "is not to pursue an accommodative monetary policy."

"There is always a need to keep interest rates firm, the degree of which would depend on the need to curtail aggregate spending and contain inflationary pressures," Mr Ahmad said.

"Under the current environment, the potential for rising inflationary pressures exists," Economists interpreted his remarks as a sign interest rates might have to be tweaked slowly upward to tackle resurgent inflation.

Bank Negara, the central bank, remained unlikely, however, to raise interest rates sharply in an effort to prop up the ringgit, economists said. Several top Malaysian officials have said that south-east Asia's financial crisis is being driven by sentiment and, in this climate, the level of interest rates has little bearing on currency values. Stock markets, Page 21

COMBAT STRESS



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NEWS: INTERNATIONAL

Fast-track delay as Clinton hunts votes

By Nancy Dunne
in Washington

US congressional leaders yesterday postponed the crucial fast-track trade vote until this weekend - shortly after President Bill Clinton made a last-ditch televised appeal for the passage of the legislation.

The president said he was close to getting the 218 votes he needed in the House of Representatives for passage of the trade authority, under which Congress promises not to amend trade agreements. But it was clear he did not yet have a majority and needed more time for horse-trading.

Republicans have demanded that he produce 70 votes from his own party, but as yet he has been unable to convince more than 45-55 Democrats to back him. Republicans, too, have been holding back on commitments, in the hope of getting deals with the White House.

Mr Clinton said opponents of fast track claimed the US economy's current prosperity had nothing to do with the trade deals the admini-

stration negotiated in Mr Clinton's first term. "That simply is not true," he said. Mr Clinton said it would be "folly" now for Congress to turn away from his economic strategy, characterised by reductions in the budget deficit and taxes and promotion of exports through trade agreements.

Voting could come at any time over the weekend, as the House struggles through numerous last-minute bills before adjourning for the year. The administration could conceivably delay the trade measure until next year in the hope of avoiding a humiliating defeat.

Failure by the president to get fast-track authority would affect far more than trade policy. The administration has made trade central to its foreign policy, offering access to the US market to emerging economies when in the past it offered aid or arms.

Business and union lobbyists yesterday roamed Congress in search of votes. A few members were said to have lined up with the administration in exchange for favours, such as tickets

to White House state dinners. Opponents worried that the president was so desperate for a victory that he would use as bargaining chips long-sought Republican proposals to weaken environmental and food safety rules.

Richard Gephardt, House minority leader, is leading the opposition, with overwhelming support from union leaders camped out in Washington. Democrats yesterday were holding firm, with many saying the president had lost his credibility by failing to keep promises made in earlier trade votes and by working so closely with Republicans to balance the budget, cut taxes and end welfare.

Fast-track has been expected to pass easily in the Senate, if it is approved by the House. But Senator James Inhofe, an Oklahoma Republican, has attached an amendment which would prevent the Environmental Protection Agency from setting new clean air standards for four years. If this passes with Republican support, then the whole package will lose Democrat backing.

In search of a multi-polar world

Capitalism is reuniting Russia and China as they try to focus less on the US

Beijing is in a relaxed mood ahead of President Boris Yeltsin's visit, underlining the feeling that Sino-Russian relations are in better health than at any time since the 1950s, when Moscow and Beijing started to feud over diverging interpretations of communist ideology.

Communist hair-splitting drove Russia and China apart and today it is capitalism which is bringing them back together. The growing friendliness between Moscow and Beijing is driven by a desire to boost flagging trade. More important, by strengthening their relationship the two former titans of the communist world are both seeking to find a counterweight to their increasingly significant relationships with the US.

The old Soviet-era ties between Beijing and Moscow - which once played an important role in educating its Chinese comrades - may also help create a warm atmosphere at this week's meetings. Mr Yeltsin, who arrives in Beijing tomorrow, can expect a cordial welcome from Jiang Zemin: China's president studied engineering at the Stalin Automobile Works just outside Moscow

Russian leaders are fond of the idea of a 'multi-polar' world and see contacts with Asia and Europe as the key to creating that balance



Yeltsin: relaxed mood

in the mid-1950s and is an enduring fan of Tolstoy and Russian folk songs.

Just over a week after the Sino-US summit with President Bill Clinton in Washington, Mr Jiang will want to demonstrate the strength and importance of China's relationship with Russia to give a sense of balance to Chinese foreign policy.

Chinese officials offer the summit in Beijing and the visit to Japan next week by China's premier, Li Peng, as evidence that Beijing is not preoccupied with the US but is pursuing a strategy of "multi-polar diplomacy". Russian leaders are

equally fond of the idea of a "multi-polar" world and see strengthening contacts with Asia - the Japanese premier visited Russia last week - and Europe as the key to creating that balance.

"A multi-polar world is the most democratic model for world-building," Mr Yeltsin told Russian news agencies yesterday.

More explicitly, the president's aides see Moscow's burgeoning links with the east as an effort to broaden a foreign policy which many Russians believe had become too exclusively focused on the US. "In 1991-92 Russia forgot not only about the

east but also about Europe," Sergei Karaganov, a presidential adviser, said. "In fact, Russia forgot about all of the rest of the world and focused only on relations with the US. Now we want more balance."

Mr Jiang and Mr Yeltsin are expected to hold a convivial meeting on Monday, likely to produce agreement on a rumbling dispute over a small stretch of the Sino-Russian border as well as a number of trade deals.

The two men are expected to sign a document clarifying the boundary between the two countries - a distance of just a few miles but one which prompted clashes in the 1960s at the height of the tension between the two countries. Today, the tension has encouraged xenophobia in the far eastern Russian provinces which share a border with China and fear being overrun by their energetic and entrepreneurial neighbours.

The most substantial discussions are likely to revolve around the modest and declining bilateral trade between Russia and China.

In the first nine months of this year, Sino-Russian trade fell by 18 per cent to \$4.2bn, with Russian exports to China down 24.7 per cent at \$3.013bn and imports of Chinese goods to Russia barely changed at \$1.1bn, according to Russian officials in Beijing. Russian exports to China have fallen as Chinese purchases of steel and fertilisers have slowed.

Russian diplomats hope China will sign a \$2bn contract to buy nuclear reactor equipment during Mr Yeltsin's visit, but negotiations on price are continuing. Russia is seeking to supply two 1,000MW reactors for a plant at Lianyungang in Jiangsu province, central China.

For Russians, the China visit is also expected to be a test of the all-important balance of power within the Kremlin. Mr Yeltsin will be accompanied by Boris Nemtsov, the first deputy prime minister in charge of co-ordinating relations with Beijing. Mr Nemtsov, who travelled with the Kremlin chief to last week's Siberian summit meeting and was singled out by him for signs of favour, is increasingly viewed as his heir. Russian politicians will be watching closely to see if he gets the same treatment in China.

More than 50 leading Russian industrialists are joining Mr Yeltsin on the visit, which will include a trip to Harbin, the old headquarters of the Russian railway that ran through China, and a stronghold of White Russians after the Revolution.

Xia Yishan, a Russia specialist at the China Institute of International Studies in Beijing, says: "China's relationship with Russia has been developing smoothly and steadily in recent years, marching far in advance of other international relations."

Mr Yeltsin last came to Beijing in April 1996 and Mr Jiang went to Moscow in April this year.

James Harding and
Chrystia Freeland

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Tadahiro Sekimoto, left, chairman of NEC, Norio Ohga, chairman of Sony, and Yoshiharu Fukuhara, chairman of Shiseido, at the Keidanren meeting which confirmed a resolve to cut links with corporate gangsters

Business leaders in Japan shy from racketeers

By Michio Nakamoto
in Tokyo

The chairman of Sony was there. So were the president of Nippon Steel, the world's largest steelmaker, and the chairman of Nissan. One after another, more than 630 of Japan's most important businessmen came in their black chauffeur-driven cars to the grand hall of the Keidanren, the Japan Federation of Economic Organisations, in the heart of Tokyo's business district.

But the occasion that brought Japan's business luminaries together yesterday was no party. They had answered the call of Shochiro Toyoda, chairman of the Keidanren and of Toyota Motor, for an emergency meeting to reaffirm the business community's resolve to sever ties with *sokaiya*, or corporate racketeers, and in the process stress their commitment to good corporate behaviour.

Mr Toyoda had called the meeting in the wake of a series of recent scandals involving leading Japanese companies, such as Mitsubishi Motors, Hitachi, Toshiba and Nikko Securities. Executives at blue-chip companies have been arrested for illegal payments to *sokaiya* groups. Dozens of managers, including company heads, have resigned.

Sokaiya are corporate racketeers who extort money from companies by threatening to disrupt shareholders' meetings by asking embarrassing questions. Japanese companies have often caved in to the demands of the *sokaiya*, paying hundreds of millions of yen in return for guarantees that the meetings will proceed smoothly.

The payment of such hush money was made illegal in 1982, but the long list of corporate executives caught continuing the practice has highlighted the difficulty Japanese companies have had in severing ties with *sokaiya*.

The situation has become an embarrassment for the Japanese government as well. The day before the Keidanren gathering, a group of 10 cabinet ministers, including Hiroshi Mitsumura, the finance minister, summoned the heads of the country's most prominent industry associations to ask them to cut their ties with *sokaiya* groups.

"If [you] continue maintaining ties with *sokaiya*, international trust in the entire Japanese business community will collapse. Now is the time to eradicate these shameful relationships with *sokaiya* and be reborn," Kaneko Muraoka, chief cabinet secretary, told the industry leaders.

Mr Toyoda of the Keidanren repeated the plea to his fellow corporate leaders. "I ask you to understand that this is the last chance [for you] to sever relations with *sokaiya* and regain the trust of society," he said. "It is unprecedented for so many Keidanren member companies to be involved in such disgraceful incidents."

According to Japanese press reports, the police have compiled a list of at least 30 companies that have recently been found to have had links with *sokaiya*. But judging from the large turnout of concerned executives yesterday, the problem is likely to be much more deeply rooted than the public figures suggest.

Blair welcomes pledge of seat at top table once nation has adopted single currency

Chirac offers deal on EU central bank

By David Buchanan and John Kampfer in London

Tony Blair, the prime minister, yesterday won pledges from France of support for UK influence in the inner sanctum of the future European Central Bank and for quick treatment of compensation claims from UK truckers affected by roadblocks in France.

At the close of yesterday's Franco-British summit held on the 38th floor of London's Canary Wharf tower, President Jacques Chirac and prime minister Lionel Jospin said Britain should have a representative on the six-member executive board of the ECB "as soon as it joins the euro".

The French leaders welcomed the Blair govern-

ment's commitment in principle to the single currency, even though it has virtually ruled out UK membership this side of the next election.

Both sides made much of the fact that it was the first bilateral summit between the two countries for a decade at which they could agree on economic and monetary union.

The Blair government has virtually ruled out entering Emu before the next election, due by mid-2002, but has said it will prepare to join soon after. "We are very happy at the position the British government has taken", said Mr Chirac, "and we hope it will join [Emu] as soon as possible".

France has thus publicly lined up with the suggestion from Chancellor Helmut



Jacques Chirac (far left) and Lionel Jospin join Tony Blair (right) in congratulating chef Anton Cabrera after their lunch

Kohl that a seat at the ECB should be reserved for Britain.

A beaming Mr Blair hailed as "a very important step forward" what he called "the broad measure of agreement that should Britain join the euro currency there will be a place for Britain on the executive of the bank".

The morning-long talks took place at the French

trucks' strike appeared to wind down. Mr Jospin promised that claims by UK drivers still seeking compensation for damage from last November's French strike would be processed within three months and that any similar claims arising from this week's blockading of French roads would be settled equally speedily.

The UK and France also

agreed to mesh and speed up restructuring of their defence industries.

The Bank of England said yesterday the City of London should continue to prepare for European economic and monetary union even though the UK will not enter Emu as part of the first wave of member countries, Wolfgang Mißbach writes.

director of the Bank (the UK central bank), said that the euro, the new single currency, was destined to become a large and liquid international currency. He said at a conference in Geneva that "the euro thus represents an opportunity, rather than a threat, for the London markets".

Back to Hft, Page 7

Unionist leader says IRA split 'may be fake'

By John Murray Brown in Dublin

Recent apparent splits among Northern Ireland republicans were probably illusory and "choreographed" to put pressure on the UK government, David Trimble, leader of the Ulster Unionist party, said yesterday. The Ulster Unionists are the largest pro-British party in Northern Ireland.

The two most recent incidents "looked more like an amicable arrangement", Mr Trimble said. He was referring to the resignations of two senior members of the Army Council of the Irish Republican Army and the walk-out by 12 Sinn Féin members from the party's County Louth branch in the Republic of Ireland.

"It is possible that the IRA are beginning to arrange the events which will lead to the ending of their ceasefire in order to provide themselves with a spurious justification," he said.

The apparent discord in republican ranks reflects disappointment at the lack of progress in the Northern Ireland peace talks, in which Sinn Féin is negotiating about the region's future with unionist parties for the first time since the partition of Ireland in the 1920s.

Some republicans are uneasy about Sinn Féin's decision to accept the principles of non-violence drawn up by US senator George Mitchell, chairman of the talks, which obliges parties to renounce violence. This was a requirement for Sinn

Féin's admission to the talks.

Owen Hassaratt, chairman of the County Louth branch of the Sinn Féin and leader of the walkout, said yesterday: "The Mitchell Principles can only lead to an internal solution in the north, which will not work. There was not enough debate within the party before the principles were accepted."

Amunition found on a housing estate in the Northern Ireland town of Craigavon may be connected to the Loyalist Volunteer Force, security forces said yesterday.

The force is an anti-nationalist paramilitary group opposed to the ceasefire being maintained by mainstream Protestant paramilitary groups.

Minister to reform links with defence suppliers

By Alexander Nicol, Defence Correspondent

The government plans to forge a closer partnership with the defence industry as part of a fundamental shake-up of the way it buys weapons systems, Lord Gilbert, the minister for defence procurement, said yesterday.

"We are going to change the whole basis of the way we talk to industry," he said. "We want to get down the cost of weapons systems, increase their reliability, give them a longer working life and see that they are produced on time. So far I don't think the MoD has done an extremely good job of all of this."

In future, the Ministry of Defence would spell out the

missions it wanted equipment to accomplish, and would involve industry in design and specifications from the earliest stages of procurement. In the past, the ministry detailed specifications which were sometimes altered.

Industry would also assume greater responsibility for maintaining equipment once it was produced.

The government's plans for "smart procurement" signal the most radical reform of defence purchasing since the mid 1980s, when Sir Peter (now Lord) Levene imposed a tight regime of competitive bidding after being brought in from the private sector to run procurement.

Although that approach

brought benefits, ministers believe it did not solve the problem of overruns in defence contracts. In addition, military equipment has not kept pace with improvements in reliability and falling costs in the rest of industry, they feel.

Lord Gilbert is no stranger to these problems, since he was the minister in charge of defence procurement, and occupied the same office in the ministry, in the last Labour government 20 years ago.

He said Britain must never again encounter the same deficiencies as in the Gulf War, when it had to cannibalise tanks and aircraft to make them serviceable and "go cap in hand to our allies for basic supplies of ammunition".

UK NEWS DIGEST

Lloyd's move over next chief

Max Taylor was elected to Lloyd's ruling council yesterday, guaranteeing his selection as the insurance market's next chairman. Mr Taylor, an executive director at insurance broker Willis Corroon, will succeed Sir David Rowland, who retires at the end of this year. John Barber, a partner at Morgan Fentiman and Barber, and Elvin Patrick, chairman of Bankside Holdings, were also elected as working members. Paul Kelly and Christopher Messer were voted on as external members. Christopher Adams

FRAUD ALLEGATIONS

Three men to appear in court

Three men are due to appear before City of London magistrates court today, charged in connection with a large scale attempt to defraud investors in the bond markets. The men were charged yesterday after allegedly falsifying US bonds supposedly worth \$800m (\$475m) were deposited in a London bank on Thursday. The three men, who were arrested after a lengthy police operation supported by the US secret service, are: Jonathan Hugh Stratton, of Anstey, Leicester; Jack Yu, a Taiwanese businessman staying at the Holiday Inn, Cromwell Road, London; and William Lester, a US citizen, of Clarence Gate Gardens, Camden, London. All were charged with offences under the Forgery and Counterfeiting Act with using 160 forged bonds worth a total of \$800m. John Mason

SCOTLAND

Labour party wins by-election

The governing Labour party won the Paisley South by-election in central Scotland late on Thursday night, but its narrow majority is a warning that the Scottish National party is a powerful force in one of Labour's heartlands. The by-election had been caused by the suicide of the previous Labour MP in July. On a very low turnout of less than 49 per cent Douglas Alexander, the Labour candidate, was only 2,731 votes ahead of the nationalist challenger. The Labour majority in the May general election was almost 18,000. The SNP fought alongside Labour for a Yes vote in September's referendum on a Scottish assembly, but almost immediately afterwards resumed hostilities, emphasising that its long-standing aim was independence. James Buxton

INDEPENDENT TELEVISION

BSkyB to bid for Channel 4 news

British Sky Broadcasting will challenge Independent Television News for the contract to make Channel Four News, and is ready to undercut its rival on price, the satellite broadcaster disclosed yesterday. ITN supplies the main news bulletins on the national commercial terrestrial television network. BSkyB is the satellite TV operator in which Rupert Murdoch's group is the biggest shareholder. Sam Chisholm, BSkyB's chief executive, said it intended to propose a revamped nightly news programme in the consultation process launched this week by Michael Jackson, Channel Four's new chief executive. He said Sky News, the 24-hour news channel, would make a competitive bid against ITN if Channel Four decided to go ahead with a tendering process next year. John Gapper

Different angle, Page 7

OBITUARY - Michael von Clemm

'Trailblazer' with vision for London's future

Michael von Clemm, a eurobond market trailblazer and the man whose ramble through London's derelict docklands inspired Canary Wharf, died on Thursday aged 62. He was instrumental in the creation of Credit Suisse First Boston, the Swiss-US investment bank which he led for eight years. Von Clemm, a US-born anthropologist-turned-banker, played a central role in developing offshore capital markets and in globalising the euro market.

Eddie George, Bank of England governor, yesterday praised von Clemm's "enormous contributions" to the development of London as a financial centre and to the intellectual and cultural life of the UK, where he had lived for 40 years.

While at Citibank, von Clemm pioneered the London market in eurodollar certificates of deposit. When the EEC issued its first eurobond in 1977, Credit Suisse White Weld, his bank at the time, was one of three lead managers, and the only one not from a member state. "He convinced many borrowers to use the market who were otherwise very sceptical," said Ian Molson, CSFB's head of European investment banking.

Mr Molson said: "In 1978, he told me London is about to take off. He foresaw exactly what would happen to flows of international capital and the role London would play in that."

Von Clemm visiting London's Docklands in 1985, was struck by the potential for a financial centre able to accommodate the huge dealing floors he knew would be necessary. "Canary Wharf came out of Michael's head, nowhere else," Mr Molson said. In the week he died, Canary Wharf's success - after a stuttering start - was underlined by its hosting the UK-French summit and the announcement of a record securitisation based on a single property.

In 1971, he joined White Weld, which he brought into



Von Clemm: one of the last of the great generalists

the Credit Suisse fold. In 1978, he was one of the architects of the creation of CSFB, which he chaired until 1986. Later that year, he joined Merrill Lynch Capital Markets, where he was chairman until 1989.

Stanislav Yasukovich, former chairman of Merrill Lynch Europe, said: "He was one of the last of the great generalists in a market that has become dominated by specialists."

Von Clemm borrowed \$500 in 1967 to become the Roux brothers' first banker in their restaurant business. He was chairman of Le Gavroche, La Tante Claire and the Waterside Inn. Described by colleagues as a dominating personality, he was a noted party-giver.

He had been president of Templeton College, Oxford, since last year and a former faculty member of the Harvard Graduate School of Business Administration and visiting professor at London Business School. Directorships included Liberty Mutual and Eastman Chemical in the US, the Molson Companies in Canada, and the India Fund in the UK.

A Harvard and Oxford graduate, von Clemm came to banking at 27 from anthropology where his field work had included two years with the coffee-growing Wachagga tribe in the shadow of Mt Kilimanjaro. He leaves a wife and two daughters.

Clay Harris

CONTRACTS & TENDERS

Based on Art. 3,6 and 7 of the decree regulating the purchasing of the goods and services and concession of the works, published in the "Narodne Novine" No. 33/97

Hrvatska brodogradnja - Jadranbrod d.o.o.
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10020 Zagreb, Croatia, Av. V. Holjeva 20
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PUBLIC INTERNATIONAL INVITATION FOR BIDS collection of the written bids and selection of the best bidder

I. Scope of the bid

1. Software for integrated information system of the Croatian Shipbuilding Industry (Hrvatska brodogradnja - Jadranbrod d.o.o. and the shipyards Ujkanj, 3 Maj, Kraljevica, Trogir and Split)

2. Application of the software system

II. Investor

Hrvatska brodogradnja-Jadranbrod d.o.o.
The Foreign Currency Account at Privredna Banka, Zagreb, Croatia, 70100 - 840 - 5582800 - 392724

III. Technical documentation

The bid technical documentation is available every working day during the duration of the public bidding from 9 AM to 2 PM at the address of the Hrvatska brodogradnja - Jadranbrod d.o.o. 10020 Zagreb, Croatia, Av. V. Holjeva 20, room 205, against presentation of the payment slip in amount of US\$ 1.000 confirming the payment to the Investor's Foreign Currency Account, for the purchase of the bid technical documentation.

IV. The right to participate

The right to participate in the public bidding have all the legal entities registered for this particular activities which are subject of the bid.

The bidder is required to deposit the bid bond in amount of US\$ 10,000 to the Investor's Foreign Currency Account, purpose: The bid bond for the public bidding.

V. Content and criteria of the bid

Detailed content of the bid, necessary supplements, annexes to the bid and the detailed criteria for selection of the best bidder are listed in the bidding technical documentation.

VI. Closing date for submission of the bids

The date for submitting the bid is 30 days after the public announcement.

The bid can be submitted through an authorized representative or by registered mail with mail return slip enclosed.

In case of registered mail submission, bidder is required to notify the Hrvatska brodogradnja - Jadranbrod d.o.o. by fax No. 00385 - 1 - 6528420 on the closing date of the tender at the latest. The date of the registered mail receipt will be considered as the date of submission of the bid.

VII. Submittal of the bids

The bid should be submitted in double, sealed envelopes.

The cover envelope should have the name and address of the investor containing the copy of the bid bond payment slip.

The inner envelope should have the name and address of the bidder, in order that the delayed or short of bid bond payment slip bids may be returned without opening.

The bids should be addressed to:

Hrvatska brodogradnja - Jadranbrod d.o.o.

Information system board

Bid documentation - do not open!

Av. V. Holjeva 20

10020 Zagreb

CROATIA

VIII. Opening of the bids

Opening of the received bids will be carried out on December 12, 1997 at 12 AM, in the presence of the members of the board for evaluation of the bids at the address of the investor.

IX. Selection

The bidders shall be informed about the results of the selection of the bids by registered mail 8 days after the selection.

The bid bond will be returned to the non selected bidders 8 days after the selection decision is made. The investor shall not be liable for any expenditures incurred by the bidder's participating in this bidding.

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Saturday November 8 1997

Asian tail wags US dog

Was globalisation really meant to work like this? Certainly something has changed in recent weeks. For most of this decade the world's markets have danced to the tune of American capital. But now a series of small financial earthquakes in south-east Asia has sent surprisingly large shockwaves through the developed world's markets, and the reverberations are becoming increasingly hard to rationalise.

Yesterday's renewed fit of nerves in Hong Kong, which rattled Tokyo and caused Wall Street and London to wobble, is an obvious case in point. The trouble in the US and Europe was admittedly exacerbated by stronger than expected US payroll data for October - which the market fears may lead to higher US interest rates at next week's Federal Open Markets Committee meeting. Yet the response still looks disproportionate when the Organisation for Economic Co-operation and Development secretariat reckons that the south-east Asian financial crisis will knock 0.2 per cent off the combined growth of the organisation's members compared with its earlier forecasts. And a large part of that knock is anyway concentrated in Japan.

Asia's troubles are, of course, real enough. The local difficulty that started in Thailand was symptomatic of unsustainable exchange rate policies and poorly supervised bank lending across much of the region. The fallout in Japan was also understandable. Its degree of economic integration with the rest of Asia is by now considerable. Moreover, Japanese banks made a notable contribution to property market bubbles in south-east Asia which will do serious damage to their balance sheets.

Japan's current misfortune is that globalisation operates very selectively in its own domestic markets. The spread between the less than 2 per cent yield on Japanese medium-term government bonds and the 6 per cent yield on comparable US Treasuries is far greater than justified by inflation rates in the respective countries.

Currency risk

Currency risk might, at a pinch, justify the non-equalisation of real rates of return in the global bond market where the comparison is being made between large debtor and creditor nations. An endemic creditor could be expected to command perma-

nently lower interest rates. That is certainly the case with Japan vis à vis the US. Yet this cannot explain a yield spread of well over four percentage points. The conclusion must be that the Japanese bond market is in the grip of a bubble.

In contrast, returns on the Japanese equity market, which have been out of line with global market valuation yardsticks since the early 1990s, are beginning to equalise. The mechanics of the equalisation process involve a fall in nominal share prices rather than a combination of stable share prices and increased inflation. The downward slide will further damage the banks, which have large equity stakes in Japanese industry and commerce.

Resumption of growth

The best hope for short-term relief is that the bond market bubble will be pricked by a more robust resumption of economic growth than most forecasters now expect. This would in turn boost equities. That remains very much the optimistic scenario in a decade that has done few favours for Japan.

In the US, meantime, the gyrations of Wall Street over the past fortnight suggest that the Asian crisis brought a straw to the back of an over-bloated camel. Yet equity market losses have been substantially recouped. Perhaps the best way to rationalise such big swings is to quote the words of Federal Reserve chairman Alan Greenspan earlier this year. "We should keep in mind," he said, "that at these relatively low long-term interest rates small changes in long-term earnings expectations could have outsized impacts on equity prices."

What has happened in Asia has had just this sort of disproportionate, but apparently brief, impact on expectations. But it is not clear whether the reverberations have settled down, not least because of the threat that the state of Asian devaluations will increase trade friction between Asia and the US.

Could these fluctuations be a hint that the long business cycle that started back in 1991 is nearing its end? Given the exposure of so many Americans to Wall Street through retirement savings, a serious downturn on Wall Street might knock the stuffing out of consumers and bring the upturn to a halt. But the red light is more often signalled by monetary policy. Mr Greenspan is still the man to watch.

COMMENT & ANALYSIS

Lenin's true heirs

Chrystia Freeland argues that the curious death of Russian communism has encouraged reform but hampered democracy

There will be a second communist revolution, there can be no doubt. But maybe this time we will manage to carry it out without a civil war.

Thus says Yevgeny Marchenko, a 73-year-old nuclear physicist, chest bedecked in medals for socialist labour and world war two heroism. "This revolution will definitely be in five years," he says.

Ludmila Zinovleva is even more optimistic. "Of course the triumph of communism is inevitable, and not just in Russia, but everywhere in the world," insists the 45-year-old chemistry teacher, swathed from head to toe in communist red. "People who've known the joys of socialism simply cannot endure capitalist oppression for very long."

The two are Bolshevik equivalents to Russia's Old Believers, members of the Orthodox church who refused to accept any religious change in the 17th century and preferred isolation and death to conversion. All across the country this week the Bolshevik believers have been out in what force they could muster, marching in street rallies and gathering in dingy halls to commemorate the 80th anniversary of the October Revolution (which, owing to the peculiarities of the Imperial Russian calendar, takes place in November).

Surrounded by 3,000 zealots singing sentimental "Great Patriotic War" ballads or listening to the reminiscences of a grizzled participant in the St Petersburg street fighting that brought the Bolsheviks to power exactly eight decades ago, it is fleetingly possible to understand how the communist faithful could pretend that the Soviet Union still exists. But step out into the capitalist hurly-burly of Moscow's streets, and even the comrades must find it hard to ignore the most important message on this week's historic milestone: 80 years after Lenin seized power and launched a movement that came to control nearly half the world, communism in Russia is finished.

"Right now we are saying our farewell to the revolution," explains Sergei Karaganov, a presidential adviser deputy and deputy director of the Institute of Europe. "It arouses passions, but they are clearly dying passions. In three years, the communists will be a totally spent force."

A leading reformer in the cabinet puts it more succinctly: "The communists are dead. This is our greatest victory."

That is both true and extremely odd. It is true in that the communists were resoundingly defeated in last year's presidential ballot by Boris Yeltsin. Although they still command a large presence in the Russian parliament and their candidates have been elected to run many of Russia's regions, in practice the



The passions aroused by Lenin when he seized power in the October Revolution 80 years ago should soon be a spent force

communists seem to have all but given up as a real opposition force. Instead, as the recent debate on the 1998 budget showed, they invariably cave in at the crucial moment, in exchange for token concessions and a moment or two of glory for their leaders.

And it is extremely odd if you consider what has happened in almost every other former communist country in eastern Europe. Self-confident reformed communists stormed back into power in Hungarian parliamentary elections in 1994 and the Polish presidential ballot in 1995.

When campaigning it was they, rather than the squabbling former dissidents of the right, who seemed to represent the future. And in government, eastern Europe's ex-communists, repackaged as social democrats, have ruled with a fiscal prudence that has won the approval of the stern judges of the International Monetary Fund.

So why have Russia's communists, who initiated and inspired this century's explosion of Marxist revolutions in the first place, become so enfeebled?

One reason is that Russian communists, in contrast with their youthful, technocratic eastern European neighbours, have failed to transform themselves following the collapse of the Soviet Union.

In eastern Europe, former communists swept back into office by articulating a social democratic message. They were able to tap into the dissatisfactions of ordinary people traumatised by the wrenching transition to a market economy. But instead of promis-

ing capitalism with a human face, Russia's unreconstructed comrades continue to serve up a sour gruel of Soviet nostalgia.

"We have no strategy, no vision, just a few slogans," complains Vladimir Semago, a casino-owner turned member of parliament who is one of the rare social-democratic voices in the Communist Party of the Russian Federation. "Zyuganov [the party leader] made a bet on nostalgia, on the protest of adults against change. He never represented a vision for the future. Everything he promised was what society had already lived through."

If someone is to be blamed for the communist failure, it must be the party's leadership. But, in many respects, the failure was inevitable. In contrast with many countries in eastern Europe, where much of the old communist elite was pushed out of power by dissidents and forced to regroup, in Russia, the old Soviet elite has remained in charge. President Yeltsin was a member of the Soviet politburo; Victor Chernomyrdin, the prime minister, was a Soviet industrial manager and a cabinet minister.

"We are ruled by the same old elite, the same old class," says Andrei Piontkovsky, head of the Moscow-based Centre for Strategic Studies. "In 1991 Russia underwent a huge transformation, but the big difference with the Russian version is that it is a revolution in which the elite survived and prospered."

While Russia's current regime is composed of the canniest Soviet communists, the Russian

Communist party has been left with the drags of the Soviet elite. "It is the party of losers," argues Andrei Ostalsky, a Russian journalist.

"You can divide all of the communist elite of the Gorbachev era into two groups," argues Mr Semago. "One group was on time. It jumped on to the train of history. But the second, the minority, was left at the station." He goes on: "Their goal today is simply to jump back on to the train with their comrades. It is all about personal victories, a personal effort to come to power. This has nothing to do with the goals of communism."

Nor, it should be added, with the patient work needed to build a democratic opposition.

It is understandable why Russia's reformers, who feared a communist victory in last year's presidential race, should rejoice at the death of a party and an ideology that enslaved their nation for nearly a century. But the defeat of Russian communism is not the same thing as the triumph of Russian democracy.

True, the reign of the revamped Russian establishment is incomparably more benign than the iron rule of the Soviet commissars. Russians today can think and say what they like, without fear of the secret police. If they have enough money, they can dip into the capitalist "consumer delights with as much zest as their western counterparts."

Yet Russia's voters still have only weak levers of control with which to influence their rulers. They have not yet chosen to demonstrate their electoral power by voting out the president. They

have changed the composition of parliament in two elections since 1991 but this has had little effect since parliament's authority is weak. And voters have few ways of organising themselves except at election time because broadcasting and the press are largely mouthpieces for their owners and because political parties are so weak and disorganised.

Paradoxically, the decline of the Communist party makes a solution to that last problem even harder to find. Already, the communists' weakness and the willingness of their leaders to be co-opted by the government mean the party has become just a club of insular activists and leaders on the make rather than a vehicle for wider popular opinion. As the party declines further, so failure becomes greater. This is especially worrying because, apart from Yabloko (the liberal opposition party) the communists are the only national party capable of becoming a responsible opposition.

"Millions of Russians have no vehicle for expressing their dissent," Mr Piontkovsky says. "There is no dissent because the only party theoretically capable of expressing dissent is in reality concerned about securing its personal position. That is why the party of power [the ruling elite] is the party of absolute power."

On the 80th anniversary of the Bolshevik revolution, Russians have good reason to cheer the death of Lenin's blood-thirsty party. But their more urgent task is to begin building grass-roots institutions capable of influencing the as-yet-unbroken reign of Lenin's heirs.

Leisurely steps towards Emu

From Lord Barnett and Lord Haslam

Sir, We understand the reasons why the UK should not join Emu in the first wave in 1999, but we are concerned at the implied leisurely pace that would prevent us from joining before 2002 or even later. Surely we can and should adjust our fiscal/monetary policies to move earlier than this. The Chancellor has left a tiny loophole: "barring some fundamental and unforeseen changes in economic circumstances". He has also rightly said it would be wrong for us to rule out joining if it was in our national interest to do so. We hope these words mean we will be able to join before the end of this parliament.

So far, there has been scant reference to the exchange rate mechanism. We believe the then ERM, from which we were humbly ejected in 1992, is very unfairly criticised. The damage which occurred was essentially self-inflicted by entering at the ridiculously high rate of DM2.95 to the pound. This was to be expected because interest rates in the UK were then 6 per cent higher than those in Germany. Many industrialists were advocating figures of DM2.40 to DM2.50 at that time. Until mid-1996 the claimed stability by the Treasury and the Bank of England appeared to be being achieved with the pound fluctuating between DM2.20 and DM2.40, but since mid-1996 the pound has taken off and reached DM3.07 at its recent peak and is now about DM2.90.

Voluntarily we have put ourselves back into the position from which we were so relieved to be ejected! Interestingly, many

industrialists and some economists are again claiming that an exchange rate of about 2.80 to 2.60 is about right. So we may soon have gone full circle.

The Chancellor also underlined the importance of "maintaining stability". Can these wild gyrations in exchange rates be justified having regard to the very adverse impact they are currently having on UK industrial export and investment strategies, which left unchecked could be an important factor in leading us soon into the next recession.

Recognising the government's twin objectives of convergence and stability, it seems untenable to put inflation on a unique pedestal. While inflation will remain the prime target, surely the monetary policy committee should be given a more specific and broader remit embracing both growth and exchange rate management.

Also, is it really necessary for this committee to meet monthly? This has undoubtedly amplified exchange rate excesses, as economists and City pundits constantly urge higher interest rates, either in the current month or certainly not later than the next. As the growth rate of most other EU countries is expected to rise over the next two years and conversely the UK rate declines or even moves into recession, the economic convergence could become a reality, but it is a pipe-dream to believe such convergence will be permanently sustainable, until we ourselves are courageous enough to join Emu.

Lord Barnett and Lord Haslam, House of Lords, Westminster, London SW1A 2PW, UK

Professionals' new rule of thumb

From Michael Parr

Sir, Now that the stock market has found its new paradigm, it occurred to me that the professionals could use an up-to-date rule of thumb to work with -

how about: "Sell in October and wait till it's over?"

Michael Parr, Eschersheimerstr 42A, 60433 Frankfurt, Germany

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "line"), e-mail: letters.editor@ft.com. Published letters are also available on the FT web site, <http://www.ft.com>. Translation may be available for letters written in the main international languages.

The real challenge of helping smokers

From Prof Nick Bosanquet

Sir, The controversy over tobacco sponsorship of sport carries some important lessons. There is certainly a need for further action to reduce smoking, but such action requires a balanced and sustainable approach through the range of measures. An increase in the real price of at least 2 per cent is needed simply to offset the effects of increasing income on raising consumption. The use of smoking cessation aids and counselling can help

older smokers; for advertising, voluntary agreements can produce quicker results, if more limited; and there is a strong case for further restrictions to reduce passive smoking in restaurants and other public places.

The previous government improved on the last record by raising tobacco taxation and achieving some voluntary restrictions on advertising within the UK. The challenge now is to build a wider consensus both within the UK and across Europe

where policy approaches are very different, even on such issues as subsidies to tobacco growing. Within the UK it would surely be better to build a consensus on sustainable actions with clear aims and an agreed process for monitoring results.

Nick Bosanquet, professor of health policy, Imperial School of Medicine at St Mary's, Norfolk Place, London W2 1PG

Time will tell about bulls and private investors

From Mr R. Mitchell

Sir, John Authers in his interesting analysis "Growling at the bears" (November 1-3) asks: "Why did he or she [the US small investor] play the market so well?" Time will tell whether fidelity is correct in thinking that "our investors know what they're doing."

Another view is of private investors propping up a market that is overvalued in terms of the forecast cashflow coming from the corporate sector.

The press and the market professionals are unanimous in their views that one of the great differences in this correction is that the private investor will not get caught at the top of a bull market. We shall see.

Ray Mitchell, 2 Fern Chase, Scarscroft, Leeds LS14 3JL, UK

Words for the new century, for our own survivolution

From Mr Jeremy Geelan

Sir, John Webber's letter of November 2 with its ingenious proposal for the creation of a Neological Institute is surely worthy of immediate support by the Millennium Commission, for what better prism is there through which to look forward into the future than that of language - the very words we use to anticipate and to describe it?

If readers of the FT agree, let us between us start to compose in these columns an entire collection of New Words for the New Century.

For my own part I can't see us managing in future years without legitimising use of "survivolution", the portmanteau coined by US writer John D. White to encapsulate the blend of approaches necessary to carry the human experiment forward into the next millennium.

Nor should we tarry too much longer before adopting "cyber-realms"

to describe the high-tech economy of a small but powerful country like Israel.

And how about "cyber-realms", to connote those groupings which exist orthogonally to the conventional nation-state structure but are no less - and often far more - powerful than nations, such as global conglomerates in the business world, religions in the spiritual world, and internet realms such as have already been created by the huge subscriber bases of, say American Online, CompuServe, and their like.

What other 21st-century neologisms would readers propose be submitted to Mr Webber's proposed institute?

Jeremy Geelan, chairman, 21st Century Studies, 153 Madison Avenue, Suite 1104, New York, NY 10016 US

Prestigious role of PCF in resistance

From Mr S. McGiffen

Sir, I was surprised that Robert Graham's article on the Papon affair ("Pandora's box opens", October 25-26) failed to mention the role of either the Parti Communiste Français (PCF) or of anti-communism in the second world war and its aftermath.

The fact is that the PCF was overwhelmingly the major element in the resistance, and that because of this it emerged from the war with enormous prestige. De Gaulle, having of necessity co-operated with the party during the war, was therefore faced with constructing an alliance of the right sufficiently powerful to overcome the possibility of a PCF-led government.

He was, therefore, not inclined to look too closely into the democratic credentials or wartime behaviour of every anti-communist who showed a willingness to participate in such a coalition.

Related to this is the fact that, while it may be true that French people have an interest in exaggerating the role of internal resistance in the liberation, it is equally the case that the western allies, particularly the US, had - and arguably retain - an interest in playing it down.

My own understanding is that both internal resistance and allied activity played a role in defeating Nazism in France, and that both should be honoured.

At the same time, dubious pleas not to reopen old wounds should be ignored. There is no statute of limitations on mass murder.

Steve McGiffen, editor, Spectre Magazine, BP5, Box 46, rue Belliard 79-113, 1047 Brussels, Belgium

Products, not personalities

From Mr Mark Lee

Sir, Your article on branding and the stability problems encountered by the A-Class Baby Benz ("A brand facing a bumpy ride", November 1) omitted one point: that corporate reputations built around products are far more resilient than those based on individual personalities.

Although the image of Mercedes-Benz may have taken a slight dent, it has responded admirably quickly, as one would expect of a company of its reputation. I doubt if sales of the A-Class or other Mercedes models will dip as a direct result other than for a very short time, if that.

However, Virgin - the oft-quoted example of successful "brand stretching" - is in a far more vulnerable position because it is synonymous with just one man: Richard Branson. If his personal lifestyle and reputation were to be tarnished, Virgin's products would be tainted by association. Worse, take Richard Branson away entirely, for whatever reason, and Virgin would be left without its most potent symbol. You can stretch a man only so far.

Mark Lee, Watermark & Co, 55 Creek Street, London W1V 6LR, UK

Renaming the Turner prize

From Patrick Morrean

Sir, What would Turner have thought of the candidates for the prize bearing his name? ("Spotlight on scraps and scratches", November 4)

Surely it should be called the Charles Saatchi prize?

Patrick Morrean, 40 Church Crescent, London N110 3NE, UK



Man in the News • Wim Duisenberg

Banker in the bunker

France has opposed his bid for the presidency of the ECB

It should have been a happy week for Wim Duisenberg, the president of the European Monetary Institute. The 62-year-old Dutch central banker had just become a grandfather for the fifth time when Jacques Chirac, the French president, threw into doubt his bid to become the president of the new European Central Bank (ECB). Mr Chirac decided to field a rival candidate, Jean-Claude Trichet, president of the Bank of France.

Until this week, Mr Duisenberg had been the only nominee for what will become one of the most powerful jobs in international finance. The little-known Dutchman is an archetypal central banker, with the reputation for monetary toughness even when judged by the standards of Germany's central bank, the Bundesbank. Towering 1.95m to his shock of white hair, he even looks presidential. And he is a keen golfer.

"I guess we'll see more of him now on the golf course," was the dry comment of a Frankfurt banker this week. Mr Chirac has certainly thrown a spanner into the process of selecting the head of the ECB. But whatever the outcome, the contest has opened up an important

issue: what qualities should the president of the ECB have? And does Mr Duisenberg (or Mr Trichet, for that matter) have them?

It goes without saying that the ECB president must be a first-class central banker, able to judge what will almost certainly be conflicting monetary and economic signals in Europe to a nicety. But something else will be needed. The ECB will be a new institution, whose credibility with the public and the markets has yet to be established. This will be a political task, even though the ECB itself will stand above politics. Hence the new president must be a good public communicator, able to judge when to speak out and when not.

Both Messrs Duisenberg and Trichet are first-rate central bankers. But the manner of Mr Trichet's nomination will make it hard for him to establish the independence that the European bank is supposed to have. Mr Chirac has raised suspicions of another French attempt to establish political control over the ECB.

What about Mr Duisenberg? An econometrician by training, he completed his doctoral thesis on the economic consequences of disarmament in 1965, before

embarking on a long career in finance and central banking. No one doubts his abilities and experience. Even close advisers to President Chirac admit as much.

But the French have a point. The president of the ECB must be a good communicator. His task will be to inspire confidence among the Germans and the French alike. Both are suspicious of the ECB for opposite reasons. The Germans suspect that the ECB might not be as independent as the Bundesbank. The French suspect that it might just be that. The trouble with Mr Duisenberg is that he is too closely aligned to the Germans.

In recent history two central bankers have been notable for combining monetary competence with public presentation skills. One is Alan Greenspan, chairman of the Federal Reserve in the US. The other was Karl Otto Pöhl, Bundesbank president until 1991. Others men, such as Paul Volcker and Mr Tietmeyer have matched them (or more than matched them) in ability. But they have operated less in the public gaze. Messrs Greenspan and Pöhl, on the other hand, are supremely good communicators. Unfortunately, neither is available.

Unlike Mr Trichet, Mr Duisenberg has had some

first-hand political experience. He served terms at the International Monetary Fund in the 1960s and as Dutch finance minister from 1973 to 1977 at a time when Wim Kok, the Dutch prime minister, was still a union leader. He became president of the Dutch central bank in 1982, a post which he held until this summer.

Although a member of Mr Kok's social democrats, he has regularly chastised the incumbent coalition for spending plans he deemed inappropriate. The Netherlands' recently lauded economic success has been dubbed the "Wim-Wim scenario". In the Netherlands Mr Duisenberg is respected as fair. He has never been a preacher of blind orthodoxy.

All the same, while never straying beyond the acknowledged fact that he was "a candidate" for the ECB post, he laid some money on it - taking a seven-year lease on a home in Frankfurt. This might prove to be uncharacteristically imprudent.

Mr Duisenberg's candidacy is in trouble. It is difficult to see how the French can accept him now without severe loss of face.

Wolfgang Münchau
Gordon Cramb

Blinking back to life

Canary Wharf is nearly full, but is not yet a community, argues Norma Cohen

At Canary Wharf, in the wasteland that is much of London's Docklands, the Tesco Metro supermarket opens at the crack of dawn and stays open until 10 at night.

Tesco Metro, James Shoe-care and Flak - where women's corduroy shirts are £42 each - are signs of the transformation of what was once Europe's largest, and arguably most frequently derided, construction site.

But if the development has at last begun to prosper commercially, there are doubts about the feasibility of creating a genuine community in such artificial surroundings. Is Canary Wharf a Brasilia, miles from anywhere, or is it a natural eastward extension of the City of London? With the move of the London International Futures Exchange to Spitalfields, just east of the City, it is possible to envisage Canary Wharf eventually converging with the City.

Like Brasilia, Brazil's modernist capital built hundreds of miles from anywhere, Canary Wharf has been a symbol of over-ambitious expansion and greed. The project, with its 50-storey tower known as "the winking finger", lay more than half vacant after being buried under a mound of debris in 1992. Bankers and developers wrangled over its future.

But this week, Canary Wharf laid some of those memories to rest. First, it was chosen as the site for the annual Anglo-French summit. Second, and more significantly, Canary Wharf Ltd, owners of the site, announced its intention to tap the debt markets for £550m, using rental income from its properties as collateral.

The debt issue is possible, say the owners, because Canary Wharf's roughly 4.6m sq ft of grade A office space is 92 per cent rented. Each day, 21,000 people go to work there, 6,000 more than at the end of last year. At last, its managers say, the site has "critical mass" to attract the right combination of office and retail tenants.

The completion of the Jubilee Line extension to London Bridge and Central London due next summer will make it more accessible. London Bridge will be a seven-minute ride away and Green Park, in London's West End, 15 minutes.

But, says Patrick Deignan, chief executive of Arlington Securities, the property arm of British Aerospace, "it is very difficult to build a sense of community" in big new developments. Even in much smaller business parks, he says, this can take up to 10 years.

Property consultants say Canary Wharf's recent commercial success has as much to do with rapidly rising City and West End rents as with its own attractiveness. Canary Wharf rents can be as little as half those charged by City properties.

Urban planners believe that, in order to work, development projects must have some connection with their surrounding neighbourhoods. "When you build these flagship projects, they must have some relevance to the surrounding community," says Stephen Jacobs, chief executive of the Stratford Development Partnership. The City, he concedes, is drifting eastwards (because it has nowhere else to go). And the construction of rail transport should eventually help tie the communities together. But this will take time.

Canary Wharf's managers insist they have already created a genuine community: people work, shop and socialise there, they say. "You have over 20,000 well-paid office workers who come here every day and need to have their shoes repaired... who need to get their shopping done," says Peter Anderson, finance director of Canary Wharf.

Chilli's Grill & Bar, says Camille Waxer, vice-president in charge of retail leasing, is open on Sundays serving mainly local clientele, and the dry cleaners is patronised on Saturdays by local residents. More buildings are going up. An 11-acre site under development will contain a five-star hotel, luxury housing, leisure and retail facilities. Another hotel and residential development is scheduled for an adjacent site.

Canary Wharf appears at last to have turned the corner: it has become the commercially viable development its creators envisioned 10 years ago. But it may be at least another 10 years before it becomes anything like an organic part of London.

Viewed from a different angle

John Gapper explains how people's appetite for news broadcasts is changing

Stuart Webb spent this week in Cambridge, Massachusetts, along with hundreds of other television journalists. But he has seen more of Cambridge than most, having eschewed the long hours outside the courtroom where the case of Louise Woodward, the British nanny, was being heard, in favour of reporting on the use of the internet in the trial and on agencies that spy on nannies.

Mr Webb, who is half of the two-man Leeds bureau of Channel 5 News, Britain's smallest commercial network, is accustomed to covering stories in an unusual manner, having spent several days with his camera up a tree reporting on environmental protests near Manchester. "Our approach is to almost take the viewers there so the camera becomes their eye," says the 31-year-old producer.

Mr Webb's willingness to eschew convention - and to sacrifice authority, in the view of some critics - reflects the way in which viewers' appetite for news is changing around the world. This week the change has created an upheaval in UK television news, which is beginning to follow the trail already blazed in the US.

Although its audience of 300,000 is tiny compared with the 5m that tune into the flagship News at Ten on ITV, 5 News has succeeded where most news programmes fail: it attracts younger adult viewers. Forty one per cent of viewers are aged between 16 and 44, compared with 30 per cent for News at Ten.

Channel 5, in which Pearson, the owner of the Financial Times, has a stake, this week decided to move 5 News to 7pm to compete head on with the more serious and staid Channel Four

News. At the same time, Channel Four announced plans to revamp its news programme, which is presented by Jon Snow.

Mr Snow, whose mixture of gravitas and quirkiness makes him the closest thing to a US network news anchor such as Dan Rather, says the timing was a coincidence. "We are not going to

'A lot of viewers who used to feel they were almost obliged to watch news now see entertainment news as a good substitute'

head down the Channel 5 route. If we were, it would be structurally important to get rid of me," he says.

Nonetheless, the moves come at a time of upheaval in UK news programming. Tomorrow the BBC launches a 24-hour television service to rival Cable News Network and Sky News, while ITV companies are considering moving News at Ten to make way for dramas and films.

The changes have been driven by some of the same challenges facing network news in the US. Changes to working patterns and attitudes mean viewers are less able, or willing, to watch a news anchor guiding them through a series of story packages based mainly on political events.

The fall in viewing of the three big US network news shows - from an average of 11 per cent of viewers each in 1987 to 8 per cent last year

- has led to efforts to redevelop news. NBC, for example, has moved towards running segments on health and work issues in the second half of bulletins.

At the same time, magazine shows such as Hard Copy and Entertainment Tonight have proliferated. "A lot of viewers who used to feel they were almost obliged to watch news now see entertainment news as a good substitute," says Michael Wolf, a partner at Boon Allen & Hamilton, the consultancy.

Tim Gardam, head of news at Channel 5, says the channel has tried to present news in a way that appeals to adults in their 30s. "This is not a feckless generation," he says. "These are people who make sophisticated choices in other areas of their lives, and want to be entertained and intrigued."

The result has been to emphasise stories on topics

such as the workplace and personal finance, and less consistent reporting of foreign news. Mr Gardam says he is "damned if we are going to be accused of being upmarket or downmarket", but some fear this will lead to more parochial news judgments.

Ted Turner, founder of Cable News Network, this week admitted that US viewers are turning away from international stories. He told an audience in London that CNN was "at least trying to resist" the urge of American viewers to watch only news that affects them directly.

David Lloyd, Channel Four's head of news, says the channel will "remain true to the principle of serious broadcast news" whatever presentational changes it makes. Yet if Channel Four is to hold the attention of a younger generation, it may be tempted to join Mr Webb up the next tree.

John Willman looks at the inside story of one of the UK's biggest corporate scandals

When Guinness isn't good for you

It is surprising that no one has made a film of the Guinness affair of the mid-1980s. The scandal that followed the brewer's takeover of the Distillers' Company in 1985 had many of the elements of a Hollywood blockbuster.

There is the Irish dynasty that started the business in 1759, built Guinness into a household word and then presided over its decline. There is Ernest Saunders, the marketing man who restored its fortunes but was brought down by arrogance. And there is a buccannery supporting cast who helped win the takeover battle but tainted the names of great City institutions in doing so.

If Hollywood should be tempted, however, it may well find one potential, well-placed, screenwriter temporarily unavailable. He is Jonathan Guinness, whose inside account of the saga - he is a family member who was on the board for more than 20 years - is published today. Mr Guinness now has his hands full at Truist, the Swedish investment company which he controls. This week it was alleged that assets worth £50m had disappeared at the company.

With the publication due later this month of a report of the UK Department of Trade and Industry into the Guinness scandal, his account is a timely reminder of the complicated course of events.

In the late 1970s, Guinness had over-reached itself by

ill-advised diversification. The appointment of Mr Saunders as managing director in 1981 led to the company's extrication from loss-making ventures such as film finance, restoring its fortunes.

In 1985, he was approached by Distillers', a mismanaged collection of venerable scotch whisky and gin brands which was seeking a white knight to fend off an unwelcome bid. Egged on by his advisers - including the Earl of Iveagh, the family member who chaired the board - Mr Saunders took Guinness into the contest. It was a bruising battle, but Mr Saunders triumphed with the help of a growing entourage of City advisers and backers. Things soon began to unravel, however, as it emerged that Guinness had won because its share price had been ramped by support operations which subsequently led to the conviction of Mr Saunders and three others.

Mr Guinness shares the general view that Mr Saunders was brought down by hubris: he had seen an earlier victory over another whisky company, Bells, as an invitation to ruthless advance. And his account shows how Mr Saunders became increasingly impatient with anyone who appeared to stand in his way - including members of the company's board.

Indeed, one of the strongest themes to emerge from his version of events is the failure of the family in their

stewardship of the company. The family directors - there were eight in 1981 - were unable to hold Mr Saunders to account. The who survived to the end were among his fiercest defenders, blinded by the restoration of the company's finances. One of those two was Mr Guinness, whose experience as a merchant banker seems to have been left at the door whenever he entered the boardroom.

Mr Guinness says he had grave misgivings about the Distillers' bid, but did not oppose it. Nor did he do much better when it emerged that Guinness had invested \$100m in a limited partnership run by Ivan Boesky, the notorious US arbitrageur later convicted for insider dealing. Although the investment was obviously a quid pro quo for help in the share support operation, Mr Guinness was fobbed off by the explanation that it was "strategic".

It was only when four non-executive directors with significant experience in managing other businesses were appointed in 1986 that the board wrested power from Mr Saunders. If a regime is needed, it should be for the family directors, not the family business.

*** Requiem For a Family Business, Jonathan Guinness, Macmillan, £20, 350 pages. Available from FT Bookshop by ringing Free-Call 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). Free p&hp in UK**

Dear Sir Richard Eyre, You've really landed yourself in it, haven't you? No sooner have you extricated yourself from running the National Theatre than you accept the task of sorting out London's opera and ballet crisis. You have been given the power, no less, to make or break Britain's future prosperity in the lyric theatre.

It is a poisoned chalice. As a member of the UK's arts lobby and one-time guest producer at Covent Garden, you are expected to support the western liberal tradition and fight the Philistines. Tens of thousands of opera and ballet lovers are rooting for you. But there are just as many baying for the Royal Opera House's blood. And as a supporter of New Labour, it is your duty to stick to heritage secretary Chris Smith's brief. When you report to him next May, you must present a solution to these companies' financial problems - without spending a penny more taxpayers' money than they receive at present. English National Opera, the Royal Opera and the Royal Ballet are internationally respected. How on earth can you keep them intact?

You must already realise that New Labour doesn't know what to do with opera and ballet. By asking you to sort out the mess, the government wants the problem off its hands. New Labour has no arts policy - other than utopian slogans like "people's opera". In six months, when the political pressure is off and Covent Garden's benefactors have bailed it out yet again, the government may be content with the same old fudge as its Conservative predecessors. You surely don't want your efforts to gather dust like previous opera consultants' reports. The Eyre inquiry should be a defining moment in arts provision.

What you must understand, Sir Richard, is that

Don't throw the Coliseum to lions

You must capture the mood of the Blair government by breaking with precedent. Privatising the Royal Opera House, hand its management to a charitable trust, let it be run commercially. Give the "toffs" their expensive playground. Write off the £70m lottery grant, and pour the entire £26m annual subsidy into an opera and ballet company which could continue the adventurous, accessible tradition of the Coliseum.

Run Covent Garden commercially? I can hear the scoffs already. But the Metropolitan Opera receives barely a cent of US taxpayers' money. The Elbow in St Petersburg has no state funding for its foreign tours, but it does attract support from Prince Charles and the Gettys. The Zurich Opera House gets sponsors to underwrite its productions. And what about the Earl's Court Carmen? What about Raymond Gubbay's promotions at the Albert Hall? They're all commercial.

A privatised Covent Garden could mount short international seasons - funded by the same mystery benefactors who materialised with £15m this week - and rent out the theatre for gala concerts, private promotions and prestige visitors. It could be a winter Glyndebourne or a British version of the Met, a bit like having supper in an expensive restaurant, with the artists joining in afterwards. It could take box-office hits from elsewhere, engage "safe" producers and hire out its orchestra and costume department.

Anything that appeals to the masses - from pop music to craft furniture - doesn't need state funding. Covent



Voice salesman: Plácido Domingo as Verdi's Otello

opera has become a business. Singers like Luciano Pavarotti, Plácido Domingo and Angela Gheorghiu have crossed the line into commercial entertainment - they have become voice-salesmen. And art that goes commercial doesn't need subsidy.

Anything that appeals to the masses - from pop music to craft furniture - doesn't need state funding. Covent

available to a metropolitan public.

I hardly need remind you that the purpose of subsidy is to support work which won't a priori be a box-office success - because it's daring, because it doesn't give in to the taste of the majority, because it is experimental enough to push the art form forward. Repeating the same formula over and over again is not artistic; providing shows which fulfil people's expectations is not artistic. But the daring and the popular can co-exist. It is in the nature of the experiment that there should be room for failure.

That is the tradition ENO represents, and that is why it deserves to keep its integrity. ENO, like Welsh National Opera, Opera North and Scottish Opera, has been the engine of this country's postwar operatic development, catering for the art-loving middle-classes and setting standards of excellence. Look at all the British singers and directors working with leading foreign companies. Most laid their foundations at the Coliseum.

The reason the Royal Opera House has welcomed the plan to amalgamate with ENO at Covent Garden is because it represents the biggest windfall Chris Smith could have dreamed up - a chance for the Royal Opera House to swallow ENO's assets and paper over its own mismanagement.

Sir Richard, please don't let the Royal Opera House directors get away with it. As long as a subsidised Royal Opera House presents "international" casts at high prices, opera's reputation in Britain will be dragged through the mud. It is time to neutralise tabloid talk of elitism, and demonstrate that at the Coliseum, unlike Covent Garden, taxpayers get value for money.

Yours sincerely,
Andrew Clark

Clinton's pessimism on Iraq lifts oil

By Gary Mead

World crude oil prices fell again as a consequence of the pessimism on Iraq lifting oil.

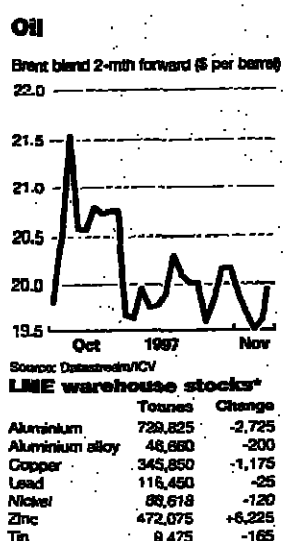
The public expression of pessimism by Bill Clinton, US president, over the possibility of achieving compromise followed Thursday's warning noises from the US that it could seek further economic sanctions or military action against Iraq if it failed to abide by UN resolutions on weapons control.

On the New York Mercantile Exchange the December crude oil contract responded to President Clinton's sombre comment by adding 47 cents to \$20.86 a barrel by midday, having touched \$20.92 earlier.

However, specialists felt that current ample crude supplies would inhibit any move to breach \$21 a barrel at this stage of the US-Iraq dispute. On London's International Petroleum Exchange December Brent gained 42 cents a barrel, to \$19.89, in late trading.

It was yet another grim Friday for gold, which took a severe denting on the news from Alan Greenspan, chairman of the US Federal Reserve, that the US consumer price index figures have been overstated by about 1 per cent in recent years.

A traditional hedge against inflation, gold was severely marked down as a result - the London afternoon "fix" was \$308.70 per troy ounce, \$4.45 lower than in the morning.



Oil prices from October 1997 to November 1997.

BASE METALS

LONDON METAL EXCHANGE

(Prices from Antwerp Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Sett	Day's	High	Low	Open
Close	1685.5-94.5	1681-22			
Previous	1685.5-94.5	1681-22			
High/Low	1685.5-94.5	1681-22			
AM Official	1685.5-94.5	1681-22			
Kerb close	1685.5-94.5	1681-22			
Open int.	258,000				
Total daily turnover	50,243				

■ ALUMINIUM ALLOY (\$ per tonne)

	Sett	Day's	High	Low	Open
Close	1470-90	1470-90			
Previous	1470-90	1470-90			
High/Low	1470-90	1470-90			
AM Official	1470-90	1470-90			
Kerb close	1470-90	1470-90			
Open int.	6,336				
Total daily turnover	1,488				

■ LEAD (\$ per tonne)

	Sett	Day's	High	Low	Open
Close	571-2	571-2			
Previous	571-2	571-2			
High/Low	571-2	571-2			
AM Official	571-2	571-2			
Kerb close	571-2	571-2			
Open int.	31,342				
Total daily turnover	8,222				

■ NICKEL (\$ per tonne)

	Sett	Day's	High	Low	Open
Close	6186-96	6186-96			
Previous	6186-96	6186-96			
High/Low	6186-96	6186-96			
AM Official	6186-96	6186-96			
Kerb close	6186-96	6186-96			
Open int.	90,106				
Total daily turnover	19,455				

■ ZINC, special high grade (\$ per tonne)

	Sett	Day's	High	Low	Open
Close	1174-75	1174-75			
Previous	1174-75	1174-75			
High/Low	1174-75	1174-75			
AM Official	1174-75	1174-75			
Kerb close	1174-75	1174-75			
Open int.	82,290				
Total daily turnover	26,167				

■ COPPER, grade A (\$ per tonne)

	Sett	Day's	High	Low	Open
Close	1853-54	1853-54			
Previous	1853-54	1853-54			
High/Low	1853-54	1853-54			
AM Official	1853-54	1853-54			
Kerb close	1853-54	1853-54			
Open int.	158,149				
Total daily turnover	51,978				

■ LME AM Official 0% rate, 1.0014

■ LME Closing 0% rate, 1.0046

Spot 1.0007 3 mths 1.0036 6 mths 1.0074 9 mths 1.0112

■ HIGH GRADE COPPER COMEX

	Sett	Day's	High	Low	Open
Close	88.80	88.80			
Previous	88.80	88.80			
High/Low	88.80	88.80			
AM Official	88.80	88.80			
Kerb close	88.80	88.80			
Open int.	88.80				
Total daily turnover	11,878				

■ ZINC, special high grade (\$ per tonne)

	Sett	Day's	High	Low	Open
Close	1174-75	1174-75			
Previous	1174-75	1174-75			
High/Low	1174-75	1174-75			
AM Official	1174-75	1174-75			
Kerb close	1174-75	1174-75			
Open int.	82,290				
Total daily turnover	26,167				

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	Sett	Day's	High	Low	Open
Close	88.80	88.80			
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AM Official	88.80	88.80			
Kerb close	88.80	88.80			
Open int.	88.80				
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	Sett	Day's	High	Low	Open
Close	1174-75	1174-75			
Previous	1174-75	1174-75			
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	Sett	Day's	High	Low	Open
Close	1853-54	1853-54			
Previous	1853-54	1853-54			
High/Low	1853-54	1853-54			
AM Official	1853-54	1853-54			
Kerb close	1853-54	1853-54			
Open int.	158,149				
Total daily turnover	51,978				

■ LME AM Official 0% rate, 1.0014

■ LME Closing 0% rate, 1.0046

Spot 1.0007 3 mths 1.0036 6 mths 1.0074 9 mths 1.0112

■ HIGH GRADE COPPER COMEX

Precious Metals continued

■ GOLD COMEX (100 Troy oz; \$/troy oz)

	Sett	Day's	High	Low	Open
Close	310.4	310.4			
Previous	310.4	310.4			
High/Low	310.4	310.4			
AM Official	310.4	310.4			
Kerb close	310.4	310.4			
Open int.	310.4				
Total daily turnover	310.4				

■ PLATINUM NYMEX (50 Troy oz; \$/troy oz)

	Sett	Day's	High	Low	Open
Close	380.0	380.0			
Previous	380.0	380.0			
High/Low	380.0	380.0			
AM Official	380.0	380.0			
Kerb close	380.0	380.0			
Open int.	380.0				
Total daily turnover	380.0				

■ PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

	Sett	Day's	High	Low	Open
Close	204.25	204.25			
Previous	204.25	204.25			
High/Low	204.25	204.25			
AM Official	204.25	204.25			
Kerb close	204.25	204.25			
Open int.	204.25				
Total daily turnover	204.25				

■ SILVER COMEX (5,000 Troy oz; \$/troy oz)

	Sett	Day's	High	Low	Open
Close	483.5	483.5			
Previous	483.5	483.5			
High/Low	483.5	483.5			
AM Official	483.5	483.5			
Kerb close	483.5	483.5			
Open int.	483.5				
Total daily turnover	483.5				

■ CRUDE OIL NYMEX (1,000 barrels; \$/barrel)

	Sett	Day's	High	Low	Open
Close	21.06	21.06			
Previous	21.06	21.06			
High/Low	21.06	21.06			
AM Official	21.06	21.06			
Kerb close	21.06	21.06			
Open int.	21.06				
Total daily turnover	21.06				

■ HEATING OIL NYMEX (42,000 US gal; \$/US gal)

	Sett	Day's	High	Low	Open
Close	58.50	58.50			
Previous	58.50	58.50			
High/Low	58.50	58.50			
AM Official	58.50	58.50			
Kerb close	58.50	58.50			
Open int.	58.50				
Total daily turnover	58.50				

■ GAS OIL NYMEX (\$/US gal)

	Sett	Day's	High	Low	Open
Close	58.50	58.50			
Previous	58.50	58.50			
High/Low	58.50	58.50			
AM Official	58.50	58.50			
Kerb close	58.50	58.50			
Open int.	58.50				
Total daily turnover	58.50				

■ UNLEADED GASOLINE NYMEX (42,000 US gal; \$/US gal)

	Sett	Day's	High	Low	Open
Close	62.25	62.25			
Previous	62.25	62.25			
High/Low	62.25	62.25			
AM Official	62.25	62.25			
Kerb close	62.25	62.25			
Open int.	62.25				
Total daily turnover	62.25				

■ UNLEADED GASOLINE NYMEX (42,000 US gal; \$/US gal)

	Sett	Day's	High	Low	Open
Close	62.25	62.25			
Previous	62.25	62.25			
High/Low	62.25	62.25			
AM Official	62.25	62.25			
Kerb close	62.25	62.25			
Open int.	62.25				
Total daily turnover	62.25				

■ UNLEADED GASOLINE NYMEX (42,000 US gal; \$/US gal)

	Sett	Day's	High	Low	Open
Close	62.25	62.25			
Previous	62.25	62.25			
High/Low	62.25	62.25			
AM Official	62.25	62.25			
Kerb close	62.25	62.25			
Open int.	62.25				
Total daily turnover	62.25				

■ UNLEADED GASOLINE NYMEX (42,000 US gal; \$/US gal)

...ing 118 1/4 at one point.

GERMAN BUNDS also
...ed recent losses. The
...ber contract settled at
...3, up 0.29, briefly hit by
...igher-than-expected US
...data, which led Euro-
...markets to retreat from

■ LONG GR

Strike	
Price	
118	(
119	(
120	(
Est. vol. total,	

TIME

Dollar falls

MARKETS REPORT
By Simon Kuper

The dollar touched a five-month low against the D-Mark yesterday, dragged down by the world's stock markets.

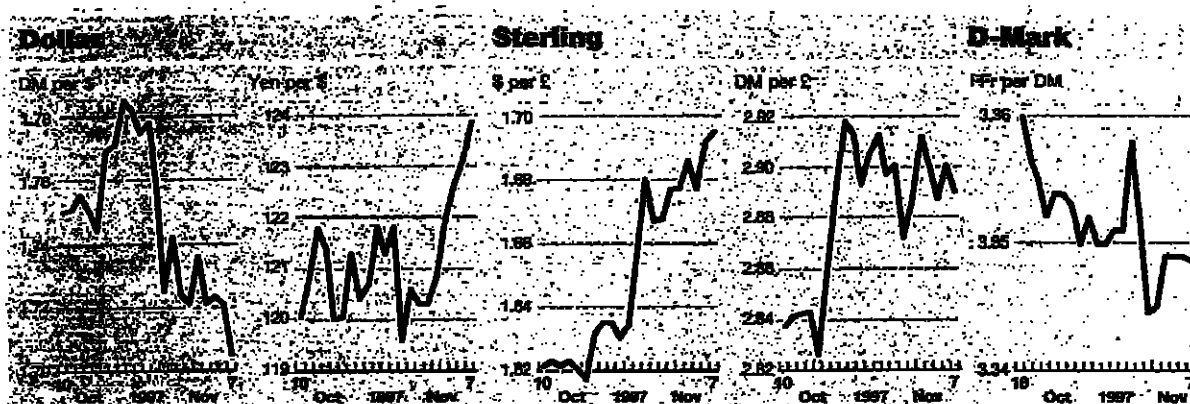
The US currency is vulnerable to equity slides chiefly because they can prompt large outflows of foreign capital from Wall Street. The D-Mark and Swiss franc benefit as perceived safe havens.

The yen fell to six-month lows against the dollar and D-Mark, hit by the slide in the Nikkei stock index and in other Asian markets. The turbulence in Korea was seen to provide a new thrust to the weak Japanese economy. Yesterday's drop in the Korean won, despite heavy intervention by the central bank, raised fears that one of Japan's main export rivals might be forced into a large devaluation. The Brazilian real's peg to the US dollar

came under renewed attack. The market shrugged off far stronger than expected US jobs and earnings data in the October non-farm payrolls report. However, Nick Parsons, currency strategist at Paribas Capital Markets in London, said the figures raised the prospect that the Federal Reserve might increase interest rates too late. Given the stock market jitters, almost no one expects the Fed to tighten policy after its open market

committee meeting on Wednesday.

The dollar fell 1.5 pence against the D-Mark to close in London at DM1.706. It rose Y0.8 against the yen to Y123.9. In late US trading, buoyed by a recovering Wall Street, it broke Y124. The



D-Mark jumped Y1.11 to Y123.9.

The pound fell 2.1 pence to DM2.890.

If you thought the south east Asian currency crisis shook global markets, just wait to see what the Korean crisis might do. The Korean economy is worth \$500bn a year, broadly as much as the south east Asian developing economies put together. And the won has begun sliding faster. It has so far dropped just 9 per cent since July 1,

compared with a 58 per cent fall in the Thai baht. A big devaluation could ripple around the world, and certainly as far as Japan, many of whose exports compete with those of Korea. Mr Parsons said that problems in Korea would hit the world's stock markets, prompt new slides in south east Asian currencies and rattle the Hong Kong dollar's currency peg. "We are very worried about the situation there," he said.

The won dropped to 975 against the dollar yesterday, and seems likely heading for the 1,000-level that the authorities have designated as their loss in the sand. The Korean government is desperate to prevent a freefall in the won, at least until after next month's presidential election. It is using currency controls, and the central bank is intervening heavily, but some currency strategists believe that the bank's net foreign exchange reserves have dropped well below \$30bn. Korea cannot

easily raise interest rates because the country's *chaebol* have heavy borrowings. Desmond Lachman, head of emerging markets research at Salomon Brothers in New York, said Korea's current account deficit and foreign debt levels were not overly worrying. However, the problems came from elsewhere. "What are reasons for concern are the state of the banks, the amount of short term international debt, and the level of reserves," he said.

POUND SPOT FORWARD AGAINST THE POUND

Nov 7	Closing	Change	Settle	Days' bid	One month	Three months	One year	Bank of
	mid-point	on day	high	low	Rate	Rate	Rate	Eng. Index
Europe								
Austria (Sch)	20.3418	-0.1486	20.292	20.307	20.297	20.277	20.257	3.2
Belgium (Bfr)	59.6415	-0.4406	59.201	59.201	59.201	59.201	59.201	3.8
Denmark (DKr)	11.0007	-0.0782	10.922	10.922	10.922	10.922	10.922	3.5
Finland (Fmk)	7.0702	-0.0505	6.919	6.919	6.919	6.919	6.919	3.1
France (FFr)	9.7802	-0.0701	9.710	9.710	9.710	9.710	9.710	3.4
Germany (DM)	2.8901	-0.0208	2.869	2.869	2.869	2.869	2.869	3.8
Greece (Dr)	2.4141	-0.0141	2.400	2.400	2.400	2.400	2.400	3.1
Italy (Lit)	1.1155	-0.0044	1.111	1.111	1.111	1.111	1.111	3.0
Japan (Yen)	123.90	-0.80	123.10	123.10	123.10	123.10	123.10	3.2
Netherlands (Gld)	3.6015	-0.0215	3.580	3.580	3.580	3.580	3.580	3.5
Norway (Nkr)	11.7311	-0.1173	11.614	11.614	11.614	11.614	11.614	3.0
Portugal (Esc)	205.210	-1.891	203.319	203.319	203.319	203.319	203.319	2.5
Spain (Pta)	166.373	-1.663	164.710	164.710	164.710	164.710	164.710	2.2
Sweden (Skr)	12.8213	-0.0213	12.800	12.800	12.800	12.800	12.800	3.0
Switzerland (Sfr)	2.5598	-0.0198	2.540	2.540	2.540	2.540	2.540	3.5
UK (Sterling)	1.4840	-0.0088	1.475	1.475	1.475	1.475	1.475	2.7
USA (Doll)	1.2122	-0.0022	1.210	1.210	1.210	1.210	1.210	2.7

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 7	Closing	Change	Settle	Days' bid	One month	Three months	One year	JP Morgan
	mid-point	on day	high	low	Rate	Rate	Rate	Index
Europe								
Austria (Sch)	12.0038	-0.1089	11.894	11.894	11.894	11.894	11.894	1.5
Belgium (Bfr)	35.1850	-0.2250	34.960	34.960	34.960	34.960	34.960	1.8
Denmark (DKr)	6.4916	-0.0391	6.452	6.452	6.452	6.452	6.452	1.4
Finland (Fmk)	7.5792	-0.0419	7.537	7.537	7.537	7.537	7.537	1.1
France (FFr)	9.7112	-0.0519	9.659	9.659	9.659	9.659	9.659	1.1
Germany (DM)	2.7005	-0.0104	2.690	2.690	2.690	2.690	2.690	1.7
Greece (Dr)	2.4230	-0.0230	2.400	2.400	2.400	2.400	2.400	1.5
Italy (Lit)	1.1592	-0.0092	1.150	1.150	1.150	1.150	1.150	1.2
Japan (Yen)	123.90	-0.80	123.10	123.10	123.10	123.10	123.10	1.7
Netherlands (Gld)	3.6015	-0.0215	3.580	3.580	3.580	3.580	3.580	1.5
Norway (Nkr)	11.7311	-0.1173	11.614	11.614	11.614	11.614	11.614	1.0
Portugal (Esc)	205.210	-1.891	203.319	203.319	203.319	203.319	203.319	0.8
Spain (Pta)	166.373	-1.663	164.710	164.710	164.710	164.710	164.710	0.9
Sweden (Skr)	12.8213	-0.0213	12.800	12.800	12.800	12.800	12.800	1.0
Switzerland (Sfr)	2.5598	-0.0198	2.540	2.540	2.540	2.540	2.540	1.0
UK (Sterling)	1.4840	-0.0088	1.475	1.475	1.475	1.475	1.475	1.1
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UK (Sterling)	1.4840	-0.0088	1.475	1.475	1.475	1.475	1.475	1.1
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USA (Doll)	1.2122	-0.0022	1.210	1.210	1.210	1.210	1.210	1.1

905 - 905	0.9895	0.9895	-
900 - 065	1.1085	1.1071	-
15 - 120	1.4133	1.3992	1.4096
100 - 800	8.3900	8.3200	8.48 -1
	-	-	-
30 - 440	1.4444	1.4280	1.4427
100 - 320	7.7330	7.7300	7.781 -
175 - 675	35.6700	35.3600	-
120 - 400	3.4500	3.5266	-
120 - 900	123.980	123.180	123.325
100 - 895	3.3190	3.2800	3.2958
101 - 059	1.8059	1.8046	1.6091
100 - 600	35.4000	34.6000	35.3605
05 - 511	3.7131	3.7956	3.7625
05 - 712	1.4010	1.5575	1.576 -
100 - 800	4.8400	4.8400	4.5905
100 - 300	980.400	978.000	-
50 - 520	30.9520	30.7700	30.9595
100 - 600	39.2930	37.8500	38.2125

in the Dollar Spot table show only the last three months' interest rates. UK, Ireland & ECU are quoted in £.

available on the Internet at <http://www.fx7.com>

UNIT TRUSTS

WINNERS AND LOSERS

TOP FIVE OVER 1 YEAR

Aberdeen Frontier Markets	1,446
CF Shaw Utilities	1,411
Schroder US Smaller Cos Inc	1,380
M&G American Recovery	1,372
Profitic American Opps Acc	1,340

BOTTOM FIVE OVER 1 YEAR

Old Mutual Thailand Acc	363
Save & Prosper Gold & Exp	450
Waverley Australasian Gold	518
Fidelity ASEAN	528
Save & Prosper Korea	545

Waverley Aust Gold

1996	1,000
1997	800

TOP FIVE OVER 3 YEARS

GA North America Growth	2,508
Hill Samuel US Smaller Cos	2,397
Franklin Health	2,306
Profitic Technology	2,218
Royal Life United States	2,184

BOTTOM FIVE OVER 3 YEARS

Old Mutual Thailand Acc	242
Save & Prosper Korea	299
Schroder Seoul	353
Baring Korea	358
Friends Prov Japanese Sm Cos	437

Baring Korea

1994	1,000
1995	800
1996	600
1997	400

TOP FIVE OVER 5 YEARS

Hill Samuel UK Emerging Cos	3,429
GA North America Growth	3,398
Old Mutual European	3,386
Profitic Technology	3,246
Gartmore UK Smaller Companies	3,182

BOTTOM FIVE OVER 5 YEARS

Save & Prosper Korea	345
Old Mutual Thailand Acc	570
Baring Korea	692
Henderson Japan Smaller Cos	722
Save & Prosper Japan Small Cos	729

GA North America Gth

1992	1,000
1993	1,500
1994	2,000
1995	2,500
1996	3,000
1997	3,500

TOP FIVE OVER 10 YEARS

F&C US Small Companies	10,236
Hill Samuel US Smaller Cos	9,647
Franklin Health	8,080
HSBC Hong Kong Growth	7,850
Profitic Technology	7,569

BOTTOM FIVE OVER 10 YEARS

Baring Japan Inc	550
Waverley Australasian Gold	575
Henderson Japan Smaller Cos	650
M&G Japan & Generalist Acc	680
Baring Japan Sunrise	722

F&C US Small Companies

1987	1,000
1988	1,500
1989	2,000
1990	2,500
1991	3,000
1992	3,500
1993	4,000
1994	4,500
1995	5,000
1996	5,500
1997	6,000

Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

Source: REUTERS (Tel: 01625 511811)

Indices

Index	1 year (%)	3	5	10	Volatility	Yield (%)
Average Unit Trust	1057	1311	1777	2373	3.5	2.5
Average Investment Trust	1121	1335	1777	2373	4.6	4.9
Bank	1036	1114	1186	1812	0.0	5.5
Building Society	1033	1111	1203	1815	0.0	5.2
Stockmarket: FTSE All-Share	1235	1688	2136	4021	2.8	3.3
Inflation	1036	1039	1143	1541	0.3	-

UK Growth

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Johnson Fry Slater Growth	1184	2145	2518	-	3.1	0.9
OM Hartley Growth	1230	1941	2856	-	2.4	0.5
Jupiter UK Growth	1104	1863	2864	-	2.5	2.2
River & Mercantile 1st Growth	1225	1830	-	-	2.8	1.0
Mercury Recovery	1118	1813	2291	2853	3.1	1.6
SECTOR AVERAGE	1125	1923	2024	2919	2.7	1.8

UK Growth & Income

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Fleming Select UK Income	1305	1773	2419	3271	2.8	3.5
Lazard UK Income & Growth	1196	1887	2108	3473	2.8	3.1
Perpetual Income	1181	1861	2494	3743	2.6	2.5
Britannia UK General Inc	1173	1857	1956	2826	2.8	2.6
Henderson Ex. Income & Growth	1210	1851	2083	3308	2.8	2.9
SECTOR AVERAGE	1168	1900	2026	3083	2.7	2.5

UK Smaller Companies

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Gartmore UK Smaller Companies	1113	2082	3162	2737	3.3	0.4
Laurence Keen Smaller Cos	1097	1905	-	-	2.9	1.5
AES Smaller Companies	1065	1867	2565	-	2.9	1.1
INVESTCO UK Smaller Companies	1018	1863	3024	2471	3.7	1.8
Britannia Smaller Co's Acc	1145	1772	2998	3062	2.8	0.4
SECTOR AVERAGE	1021	1404	2221	2267	2.9	1.5

UK Equity Income

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Jupiter Income	1197	1963	3045	4930	2.3	4.0
Lazard UK Income	1199	1730	2289	4080	2.4	4.1
BWD UK Equity Income	1209	1865	2488	3140	2.4	3.8
Britannia High Yield Inc	1182	1891	2327	3592	2.5	3.5
River & Mercantile 1st Income	1161	1832	2421	-	2.7	4.2
SECTOR AVERAGE	1168	1478	2023	3045	2.4	4.3

UK Equity & Bond Income

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
HSBC High Income	1190	1803	-	-	2.0	5.7
Profitic Extra Income	1184	1837	2026	2974	2.4	4.1
Edinburgh High Distribution	1170	1517	1983	2351	2.5	3.7
CIS UK Income	1205	1500	1936	-	2.6	3.8
Midland Monthly Income	1254	1491	-	-	2.1	4.3
SECTOR AVERAGE	1190	1377	1835	2485	2.1	5.3

UK Eq & Bd

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
BWD Balanced Portfolio	1141	1681	2381	-	3.1	1.4
Perpetual High Income	1176	1588	2387	-	2.3	2.8
Credit Suisse High Income Port	1136	1545	2201	-	2.5	4.1
Canille Income Dis	1160	1536	1954	2770	2.2	3.2
NPI UK Extra Income Inc	1077	1489	2089	-	2.2	3.2
SECTOR AVERAGE	1126	1476	2019	2754	2.2	2.9

UK Fixed Interest

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Aberdeen Fixed Interest	1131	1490	2341	2669	1.4	8.0
Thornhill Preference Inc	1138	1480	1715	2423	1.8	7.9
M&G Corporate Bond	1167	1431	-	-	1.9	6.3
Henderson Preference & Bond	1142	1430	1638	1810	1.3	7.5
CU PPT Monthly Income Plus	1176	1422	1738	-	1.8	7.5
SECTOR AVERAGE	1098	1328	1627	2083	1.6	6.5

UK Gilt

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
M&G Gilt & Fixed Interest	1147	1371	1427	1991	1.9	5.9
Gartmore PS Fixed Interest	1130	1355	1439	-	1.8	6.6
Murray Acumen Reserve	1111	1325	1419	-	1.5	6.4
Mercury Long-Dated Bond	1135	1321	-	-	2.2	4.9
Schroder Gilt & Fixed Int Acc	1080	1298	1382	-	1.8	7.3
SECTOR AVERAGE	1084	1241	1317	1929	1.5	5.7

International Equity Income

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
GT International Income Inc	1156	1512	1816	3414	2.6	2.0
Martin Currie Int'l Income	1153	1459	1957	-	2.8	4.1
Mayflower Global Income	1128	1396	1884	2496	2.3	2.7
M&G International Income	1141	1371	1835	3311	2.7	4.2
Barclays International Income	1130	1333	1648	2172	3.1	1.6
SECTOR AVERAGE	1102	1370	1757	2652	2.8	2.7

International Fixed Interest

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Baring Global Bond	1016	1323	1415	-	1.5	4.8
Bank of Ireland Ex Mgd Growth	993	1296	1220	1844	2.9	5.1
Newtown International Bond	1013	1281	1312	-	2.1	4.9
Barclays BGI Int'l Fix Int Inc	1025	1235	-	-	1.0	5.2
Old Mutual Worldwide Bond Inc	1000	1233	1345	1985	1.8	5.2
SECTOR AVERAGE	988	1140	1169	1773	1.8	4.9

International Equity & Bond

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Fleming General Opportunities	1143	1470	1772	-	2.0	3.1
Bank of Ireland Ex Mgd Growth	1075	1456	1784	-	2.3	2.4
Capel-Cure Hallmark Growth	1178	1430	1721	2781	2.8	1.7
Batelle Gifford Managed	1112	1407	1742	3007	2.9	2.4
Marles & Spencer Inv Port Acc	1132	1398	1738	-	2.3	2.1
SECTOR AVERAGE	1076	1394	1605	2516	2.4	2.4

International

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Franklin Health	1145	2306	2443	6890	7.0	-
Profitic Technology	1136	2218	2346	7569	6.9	-
Save & Prosper Financial Secs	1230	1982	2787	4745	3.3	1.4
Franklin Financial	1249	1891	2696	5842	3.2	0.9
Henderson Global Technology	1148	1804	2841	6500	6.9	-
SECTOR AVERAGE	1078	1274	1783	2898	3.7	1.0

Nth America

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
GA North America Growth	1306	2508	3389	6657	4.6	0.1
Hill Samuel US Smaller Co's	1147	2387	3032	9647	5.3	-
Royal Life United States	1297	2184	2960	5411	4.0	0.3
Henderson American Smaller Cos	1235	2141	2767	6009	5.2	-
Keinwort Amer Smaller Cos	1204	2123	2821	4480	4.8	-
SECTOR AVERAGE	1200	1772	2118	4537	4.4	0.5

Europe

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
Jupiter European	1128	1999	3006	4990	3.4	0.5
Baring Europe Select	1176	1963	2909	3958	3.7	0.8
Thornhill Euro Sel Gt Acc R	1249	1905	2833	3858	4.4	0.1
INVESTCO European Growth	1192	1868	2914	4240	4.2	-
TU European	1288	1854	-	-	2.9	1.1
SECTOR AVERAGE	1169	1536	2171	3689	3.6	0.7

Japan

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
GT Japan Growth	903	920	1387	1617	3.7	0.1
Martin Currie Japan	886	865	1419	-	5.7	-
Newtown Japan	948	822	1252	1319	5.3	-
Murray Japan Growth	907	814	1170	-	5.0	-
Batelle Gifford Japan	958	807	1169	1448	5.5	-
SECTOR AVERAGE	784	633	991	1108	5.6	0.2

Far East inc Japan

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
AIB Govett Greater China	1082	1086	1930	4042	6.6	-
Thornhill Oriental Income Inc	918	915	1195	2339	5.0	4.4
Perpetual Far East Growth	823	838	1645	3256	4.4	0.9
Friends Prov Pacific Basin	807	815	1280	1769	5.3	0.2
Martin Currie Far East	828	806	1303	2177	5.9	-
SECTOR AVERAGE	767	724	1174	2171	5.6	0.8

Far East exc Japan

Trust	1 year (%)	3	5	10	Volatility	Yield (%)
HSBC Hong Kong Growth	1002	1479	2183	7850	8.7	0.3
INVESTCO Hong Kong & China	1108	1290	1780	6515	6.1	0.3
Friends Prov Australian	995	1286	1924	4675	4.7	-
Old Mutual New Zealand	866	1092	1731	-	4.2	2.1
Henry Cooke LG East Enterprise	991	1085	-	-	7.7	-
SECTOR AVERAGE	724	732	1196	3779	7.1	1.1

INVESTMENT TRUSTS

WINNERS AND LOSERS

TOP FIVE OVER 1 YEAR

Scottish National Capital	3,375
Franklin Dual Capital	2,957
Fulcrum Capital	2,620
Schroder Split Fund Capital	2,247
Exmoor Dual Capital	2,086

BOTTOM FIVE OVER 1 YEAR

East German	380
Aberdeen New Thai	396
Schroder Korea Fund	416
Korea Liberalisation Fund	421
Sam Selective Growth	441

Authorized and Insurances

● ET Citiline Limit Trust Prices are available over the telephone. Call the ET Citiline Help Desk on (444 171) 873 4328 for more details.

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Insurances, Money Markets and Other

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 873 4378 for more details.

FT MANAGED FUNDS SERVICE[illegible]

MANAGEMENT SERVICES

[illegible]

Money Market Trust Funds

	Deposits	Net	Share CIB	Net Cr
CarCash Ltd				
Kings Hill, West Malling, Kent ME16 4TA				01722 520033
CarCash Africa Invest Channel AC	6.93	-	7.79	3.0000
CarCash Europe Invest Channel EC	6.93	-	7.85	3.0000
CarCash Americas Invest Channel AM	6.97	-	7.15	3.0000
The CDF Charities Deposit Fund				
2 Fane Street, London EC2Y 5SD				0171 588 1815
Deposit	6.95	-	7.13	3.0000
Cont. Bd. of Fin. of Church of England				
2 Fane Street, London EC2Y 5SD				0171-588 1815
Deposit	6.95	-	7.13	3.0000

Money Market Bank Accounts

	Quam	Net	Gross CAR	Int Cr
American Express Bank Ltd				
Sunrise House, Burgess Hill BN15 5AQ				01773 653 555
High Performance Current Account				
£500-£399.99	1.00	0.75	1.00	Min
£400-£499.99	3.50	2.25	3.50	Min
£500-£999.99	3.25	2.00	3.25	Min
£1,000-£24,999.99	4.00	3.00	4.00	Min
£25,000-£24,999.99	4.25	3.18	4.25	Min
£250,000-£499,999.99	4.75	3.56	4.75	Min
Bank of Scotland				
38 Thistle Street, St. Enoch 2EH				0800 625886
Min Cr plus PPS £250,000	6.50	5.20	6.50	Min

\$100,000-\$249,999	3.50	4.40	5.84	Min
\$250,000-\$499,999	5.25	4.20	5.20	Min
\$500,000-\$749,999	4.25	3.40	4.33	Min

Bank of Scotland					
38 Thamesway St, EC2 2EH				0500 838000	
Min Chg Acc (Day) £25,000+	6.50	5.70	6.70	Min	

\$100,000-\$149,999	5.26	4.20	5.38	Mid
\$25,000-\$99,999	4.00	3.20	4.07	Mid
\$3,000-\$24,999	3.00	2.40	3.04	Mid

Brown Shipley & Co Ltd		0171 800 7580	
Founders Court, Lombury, London EC2			
HICA	5.500 4.800	5.625	Or

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (44 171) 873 4378 for more details.

FT MANAGED FUNDS SERVICE[illegible]

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on 1-44 171 873 4978 for more details.

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هيكنا من الالهل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Nov 7/US\$)

All share

Dow Jones

S&P 500

NASDAQ

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COMPANIES AND FINANCE

Exports help lift Mitsubishi Motors

By Michio Nakamoto in Tokyo

Strong exports, particularly to Europe, helped Mitsubishi Motors, one of Japan's leading vehicle makers, increase sales and net profits in the first half.

However, the group warned of a sharp fall in already sluggish domestic sales and revised down its forecast for full-year pre-tax profits.

Net profits rose 9 per cent from ¥7.9bn to ¥8.6bn (\$70m) and parent company sales advanced 12 per cent from ¥117.7bn to ¥131.9bn. Recurring profits, however, fell 6 per cent from ¥13.7bn to ¥12.7bn, partly as a result of increased

expenditure on marketing. MMC had already warned it would report a consolidated net loss of ¥40bn in the full year because of foreign exchange losses relating to its Thai manufacturing operations. Yesterday, it said it expected full-year unit vehicle sales in Japan to be 20 per cent lower than previously forecast.

The company, which has seen sluggish demand for many of its products, blamed the anticipated lower sales on the sharp downturn in demand following the increase in the consumption tax in April. However, it admitted that the arrest of a senior executive for his part in illegal payments to a corpo-

rate racketeer group would hit sales. MMC has decided to cut marketing activities following the arrest and the revelation that the company had made the illegal payments since 1989.

Domestic sales are expected to be 685,000 units, compared with the 860,000 previously forecast. In value terms, full-year sales at the parent company level are expected to be higher at ¥2,600bn, against ¥2,585.9bn.

Pre-tax profits excluding exceptional items are forecast to fall nearly 40 per cent from ¥58bn to ¥35bn. Net profits will climb from ¥15.1bn to ¥18bn.

The forecasts are significantly

lower than those made in May. MMC suffered in the domestic market from a lack of popular models, particularly in recreational vehicles, which have been the fastest growing in Japan in recent years.

However, a surge in exports has helped the company make up a significant amount of the loss in the domestic market. Export shipments in unit terms rose 51 per cent over the previous period to 314,000 units.

Exports were particularly strong to the European market, where MMC saw buoyant demand for its Pajero sports utility vehicle and Galant passenger cars. MMC plans

to export 306,000 units to Europe in the full year - 29 per cent more than last year.

● **Fuji Heavy Industries**, which makes Subaru cars, reported a sharp increase in profits helped by demand for its sport utility vehicles at home and strong export markets.

Fuji Heavy lifted first-half parent sales 9 per cent from ¥374.4bn to ¥407.3bn. Recurring profits surged 80 per cent from ¥11.4bn to ¥20.5bn.

Net profits fell, however, from ¥11.4bn to ¥8.7bn, owing to extraordinary losses related to a series of vehicle recalls since the summer.

INTERNATIONAL NEWS DIGEST

Incentive helped by disposals

Incentive, the industrial arm of Sweden's Wallenberg business empire, yesterday reported a sharp increase in nine-month profits after enjoying proceeds of SKr11.1bn (\$1.48bn) from share sales and non-core disposals.

The company, which has decided to concentrate on developing its medical technology operations, saw pre-tax profits rise from SKr4.36bn to SKr11.9bn on sales up from SKr14.2bn to SKr16.5bn in the nine months to September 30. The figures were flattered by exceptional gains on the sale of part of its shareholdings in ABB, the international engineering group, and in Electrolux, the Swedish white goods manufacturer. In addition to the share disposals, Incentive stepped up its restructuring by selling non-core subsidiaries including Wabco, TA Hydronics and its Hagglunds Vehicle business.

The company said yesterday it would also make a capital gain of about SKr1.45bn on the recently announced flotation of its Munters humidity controls business. Mikael Lilus, chief executive, said: "The strategic transformation of the group during the first half of the year was substantial and has continued to be so." It would clear the way for Incentive to develop its core medical technology and healthcare businesses, dominated by its Gambo dialysis care subsidiary.

Strong contributions from Gambo helped lift operating profits in the medical technology division by 11.6 per cent from SKr1.08bn to SKr1.23bn. It also underpinned group operating profits of SKr1.46bn, against SKr1.29bn, excluding exceptional items. Profits in the environment business rose from SKr116m to SKr122m. In materials handling, profits were flat at SKr44m, while they rose from SKr52m to SKr65m in the development arm, which consists mainly of Hagglunds.

Earnings per share rose from SKr35.90 to SKr43.04, of which SKr138.75 was due to non-recurring items. Last time, exceptional gains enhanced earnings by SKr20.83 per share.

Incentive's most commonly traded A-shares fell SKr13 to SKr651, in line with a fall in the Stockholm market.

Tim Burt, Stockholm

EGYPT

Daimler-Benz to double sales

Daimler-Benz, the German automotive group, expects to double sales in Egypt following the opening of an assembly line designed to produce 2,500 annually of its Mercedes E-class model at a new plant near Cairo.

In a joint venture with Natco, its majority Egyptian partner, Daimler-Benz has a 26 per cent stake in the E210m (\$53m) plant at 6th October City. Orders have so far accounted for all production to the end of June 1998.

Between 1,200 and 1,400 Mercedes models are sold in Egypt a year. The locally produced model will be the Classic version of the E class, similar to the Elegance version, which has dominated the company's sales in Egypt. The plant has expansion capability, and production of a different model is also being considered. Some 40 per cent of components will be locally produced by independent suppliers, although Natco is considering establishing its own components plant to supply the assembly line.

Pricing has influenced the decision to produce locally. Imported models cost E£250,000, while the locally produced version will retail at E£290,000. Imported cars are liable to up to 165 per cent import duty, though sales and other taxes are estimated to increase prices of top-range cars by up to 240 per cent.

Mark Hubbard, Cairo

Tenaga slides into the red

By James Kynge in Kuala Lumpur

Tenaga Nasional, Malaysia's national power utility, plunged into the red last year, suffering heavy foreign exchange losses from the ringgit's decline.

Foreign exchange losses were M\$1.29bn (\$382m) for the year to August, wiping out much of the group's operating profit of M\$1.37bn. Net loss was M\$140.6m - its biggest - compared with a net profit of M\$797.8m the previous year.

Tenaga, one of Malaysia's largest listed entities, is the first large corporation with significant foreign currency exposure to announce results since the currency turmoil began in early July.

Ahmad Tajuddin Ali, executive chairman, pointed out that the foreign exchange losses had not been realised and were book losses.

He said the group's accounting rules made it "bite the bullet" and take full recognition of the losses now, even though 77 per cent of its foreign borrowing had maturities of between 5 to 30 years.

He also stressed that the group was to a degree insulated against the possibility that domestic interest rates would climb this year and next because 93 per cent of

local borrowing was at fixed interest rates.

The number of Malaysian companies with significant overseas debt exposure is small relative to Thailand and Indonesia. However, those that do, such as Telekom Malaysia and Malaysia Airlines, tend to be blue chips. Tenaga used the exchange rate of M\$2.92 to the US dollar to calculate its losses. Yesterday the rate was M\$3.29.

The problem of currency fluctuation has been compounded by the fact that Malaysian authorities have banned companies from selling the ringgit short, removing a vital hedging tool.

Industry analysts said the foreign exchange losses were generally worse than expected, but they were cheered by other aspects of the utility's results.

Operating profits climbed 52 per cent from M\$90m to M\$1.37bn - outstripping a 23 per cent rise in turnover.

Mr Tajuddin said that an estimated M\$3bn which the company plans to raise annually for the foreseeable future would be satisfied as much as possible from domestic sources. But he added that as foreign interest rates might be lower than Malaysian rates, it could be more advantageous to borrow abroad.

Obituary: Paul Ricard

Founded French drinks brand

By Andrew Jack in Paris

Paul Ricard, founder of Ricard, the French aniseed aperitif, died yesterday, bringing to an end a symbolic chapter in the history of one of France's best-known drinks brands.

Mr Ricard, who was 89, created Ricard in 1933 and oversaw its development into a group that would ultimately merge with its rival Pernod to form the quoted business Pernod-Ricard, before acquiring other brands including Dubonnet, Havana Club rum, Jacob's Creek wine, Bushmills whiskey and Orangina fruit juice.

Mr Ricard died in his house in Signes, near the southern city of Marseille, which remains the headquarters and core of the Ricard part of the Pernod-Ricard group.

News of his death reignited speculation about a possible takeover of the group, with the shares jumping 3 per cent to close at FF280.50 in a market down 2.89 per cent.

"He owned about 20 per cent of shares and had a patriarchal image," said John Wakely, analyst with Lehman Brothers in London. "A takeover was certainly not going to happen while he was alive."

The family-controlled



Paul Ricard: oversaw merger with rival Pernod

Société Paul Ricard owns 12.5 per cent of Pernod-Ricard and 19.8 per cent of voting rights.

However, individual members of the family also own additional shares, bringing

combined a belief in economic liberalism with progressive social policies, and who was a pioneer in introducing employee share ownership, complementary retirement and health care and lengthy holidays ahead of legislation.

He caused a stir by resigning as head of the company in 1988, partly as a protest against government bureaucracy, income taxes and interference in business. He remained honorary president, and last year visited the headquarters to greet employees.

Since retiring, he became a local mayor.

While he was still working, he launched the Paul Ricard Circuit, site of many Formula 1 and other motor car races, as well as an Oceanographic Institute and a number of tourist sites.

He was also an author, a supporter of art and involved in cinema production.

Charles Pasqua, the Gaullist former interior minister who once worked for the group, described Mr Ricard as "a man outside the norm, who was not at all conventional. He was an anti-conformist, a revolutionary".

Patrick Ricard, Paul's son, became chairman in 1978 and remains in charge today.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS									
Figures in parentheses show number of issues of stock.									
	US Dollar Index	Day's Change	52 week High	52 week Low	52 week Range	Local Index	Local Change	Local High	Local Low
THURSDAY NOVEMBER 6 1997									
Australia (73)	210.78	-0.2	184.75	163.98	188.20	200.06	-0.9	3.82	210.32
Austria (24)	199.18	-0.4	174.58	154.88	178.20	178.15	-0.6	1.84	200.02
Belgium (27)	246.82	-1.5	216.34	192.00	220.82	216.20	-1.6	3.19	250.53
Brazil (30)	224.10	-5.1	198.43	174.33	200.50	456.08	-4.8	1.82	238.25
Canada (123)	220.24	+1.3	188.04	171.82	187.04	223.46	+1.0	1.78	220.70
Denmark (32)	413.46	-0.1	382.40	321.82	389.91	388.31	-0.2	1.36	413.81
Finland (28)	319.08	-1.8	279.57	248.20	285.47	348.89	-1.9	1.79	324.88
France (84)	229.58	-1.1	201.20	178.58	208.37	207.32	-1.2	2.57	232.05
Germany (58)	216.80	-0.8	181.61	153.55	185.58	185.58	-0.1	1.48	223.65
Hong Kong, China (68)	360.58	-2.6	316.05	280.49	322.60	357.99	-2.6	4.43	370.20
Indonesia (27)	133.04	-1.2	116.61	103.48	119.03	257.70	-1.2	2.22	134.64
Ireland (17)	300.85	-0.3	333.64	295.10	344.55	355.22	-0.1	2.73	378.41
Italy (53)	109.31	-0.7	95.81	85.03	97.80	137.64	-0.8	1.37	108.58
Japan (454)	107.18	-0.6	93.92	83.35	85.87	85.35	-0.2	0.96	107.75
Malaysia (107)	256.88	-0.5	224.88	199.57	229.64	324.94	-0.5	2.20	257.87
Mexico (27)	1569.64	-2.8	1375.78	1220.99	1404.32	1427.00	-0.9	1.70	1612.41
Netherlands (19)	355.53	-1.2	355.53	315.73	359.21	359.20	-1.3	2.32	410.84
New Zealand (14)	89.56	-1.0	78.50	69.87	80.13	78.20	-1.1	4.03	86.78
Norway (28)	353.54	-0.6	308.85	273.01	318.30	336.78	-0.5	1.81	351.31
Philippines (22)	88.36	-0.3	77.99	69.21	79.80	155.19	-0.3	1.37	89.21
Singapore (42)	253.56	-0.3	222.60	197.55	227.21	184.07	-0.5	1.72	253.15
South Africa (43)	294.75	-0.8	258.55	225.28	263.70	310.81	-0.8	2.74	297.52
Spain (33)	254.22	-0.4	222.82	197.75	227.44	278.93	-0.5	2.42	255.33
Sweden (49)	485.54	-0.5	425.57	377.68	434.28	536.75	-0.8	1.82	487.49
Switzerland (33)	316.12	-0.7	277.08	245.80	282.82	278.55	-0.8	1.21	318.45
Thailand (28)	34.71	-2.2	30.42	27.00	31.05	52.35	-2.7	5.37	35.49
United Kingdom (215)	324.18	-0.1	284.15	252.18	290.04	284.15	-0.8	3.45	323.80
USA (645)	382.43	-0.5	335.20	297.48	342.15	382.43	-0.5	1.61	410.84
WEDNESDAY NOVEMBER 5 1997									
Australia (73)	210.32	+0.2	184.75	163.98	188.42	198.84	+0.2	3.82	210.32
Austria (24)	200.02	-0.4	174.58	154.86	178.20	178.15	-0.6	1.84	200.02
Belgium (27)	250.53	-1.5	216.34	192.00	220.82	218.20	-1.6	3.19	250.53
Brazil (30)	238.25	-4.8	198.43	174.33	200.50	456.08	-4.8	1.82	238.25
Canada (123)	220.70	+1.0	188.04	171.82	187.04	223.46	+1.0	1.78	220.70
Denmark (32)	413.81	-0.2	382.40	321.82	389.91	388.31	-0.2	1.36	413.81
Finland (28)	324.88	-1.9	279.57	248.20	285.47	348.89	-1.9	1.79	324.88
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Japan (454)	107.75	-0.2	93.92	83.35	85.87	85.35	-0.2	0.96	107.75
Malaysia (107)	257.87	-0.5	224.88	199.57	229.64	324.94	-0.5	2.20	257.87
Mexico (27)	1612.41	-0.9	1375.78	1220.99	1404.32	1427.00	-0.9	1.70	1612.41
Netherlands (19)	410.84	-1.3	355.53	315.73	359.21	359.20	-1.3	2.32	410.84
New Zealand (14)	86.78	-1.1	78.50	69.87	80.13	78.20	-1.1	4.03	86.78
Norway (28)	351.31	-0.5	308.85	273.01	318.30	336.78	-0.5	1.81	351.31
Philippines (22)	89.21	-0.3	77.99	69.21	79.80	155.19	-0.3	1.37	89.21
Singapore (42)	253.15	-0.5	222.60	197.55	227.21	184.07	-0.5	1.72	253.15
South Africa (43)	297.52	-0.8	258.55	225.28	263.70	310.81	-0.8	2.74	297.52
Spain (33)	255.33	-0.5	222.82	197.75	227.44	278.93	-0.5	2.42	255.33
Sweden (49)	487.49	-0.8	425.57	377.68	434.28	536.75	-0.8	1.82	487.49
Switzerland (33)	318.45	-0.8	277.08	245.80	282.82	278.55	-0.8	1.21	318.45
Thailand (28)	35.49	-2.7	30.42	27.00	31.05	52.35	-2.7	5.37	35.49
United Kingdom (215)	323.80	-0.8	284.15	252.18	290.04	284.15	-0.8	3.45	323.80
USA (645)	384.30	-0.5	335.20	297.48	342.15	382.43	-0.5	1.61	410.84
DOLLAR INDEX									
US Dollar	100.00	+0.1	100.00	99.00	100.00	100.00	+0.1	0.10	100.00
British Pound	1.65	-0.01	1.65	1.64	1.65	1.65	-0.01	0.01	1.65
Japanese Yen	108	-0.5	108	107	108	108	-0.5	0.05	108
Swiss Franc	1.48	-0.01	1.48	1.47	1.48	1.48	-0.01	0.01	1.48
West German Mark	1.36	-0.01	1.36	1.35	1.36	1.36	-0.01	0.01	1.36
French Franc	6.55	-0.03	6.55	6.54	6.55	6.55	-0.03	0.03	6.55
Italian Lira	1,360	-10	1,360	1,350	1,360	1,360	-10	10	1,360
Spanish Peseta	166.64	-0.8	166.64	166.64	166.64	166.64	-0.8	0.08	166.64
Portuguese Escudo	200.48	-0.8	200.48	200.48	200.48	200.48	-0.8	0.08	200.48
Belgian Franc	36.36	-0.01	36.36	36.36	36.36	36.36	-0.01	0.01	36.36
Dutch Guilder	3.76	-0.01	3.76	3.76	3.76	3.76	-0.01	0.01	3.76
Australian Dollar	1.54	-0.01	1.54	1.54	1.54	1.54	-0.01	0.01	1.54
New Zealand Dollar	0.65	-0.01	0.65	0.65	0.65	0.65	-0.01	0.01	0.65

Group seeking regional investment opportunities

Hongkong Telecom builds \$1.9bn cash pile

By Louise Lucas in Hong Kong

Hongkong Telecom, the territory's dominant telecommunications group, has accumulated a cash pile of HK\$1.9bn (\$245m) - almost as much as the HK\$1.7bn turnover it registered at the halfway stage this year.

The company, which yesterday posted an 11.5 per cent rise in net profits, from HK\$5.39bn to HK\$6.01bn for the six months to September 30, said the growth in cash in hand would enable it to take advantage of investment opportunities.

However, Linus Cheung, the chief executive, was unable to point to any concrete progress in mainland investments. "China is a long game and we will take a step-by-step approach," he said.

He signalled possible regional deals instead, facilitated by the turmoil in south-east Asia's stock markets. Several regional telecoms companies have been forced to delay initial public offerings and could be looking to sell stakes to existing operators.

Part of Hongkong Telecom's cash came from securitisation of staff home loans. Andrew Hall, telecoms analyst with Kleinwort Benson Securities Asia, said the money had been accumulated for spending. "The expectation had been that there would be opportunities in terms of regional investment - and most particularly in China - but, as we know, that has been very slow to materialise," he said.

Analysts believe the company is likely to purchase a new generation mobile telephone network in Hong Kong. Six licences were awarded last year, and several operators have struggled to meet targets in a competitive market.

Hongkong Telecom, which failed to win a licence, is expected to buy one and make it profitable through synergies with its mobile network. Other possibilities include acquisitions in Thailand and Malaysia. The company is also in a consortium bidding for a fixed-line licence in Singapore.

Jason Billings, telecoms analyst at SBC Warburg Dillon Read, estimated that Hongkong Telecom made about HK\$300m in first-half interest from its cash pile. The money should earn appreciably more in the second half, given Hong Kong's higher interest rates. Earnings in the first half were lifted largely by revenue growth in mobile, business data and value-added services. The company has 515,000 mobile telephone customers.

International calls increased by 9 per cent, with China - which accounts for 45 per cent of overseas calls - growing at 10 per cent. The Hong Kong government is reviewing Hongkong Telecom's international monopoly, and the company aims to reduce its reliance on international calls.

Starwood Lodging, the US property company, yesterday fired the latest shot in the heated battle for international hotels and gaming group ITT by raising its bid to \$10.2bn, or \$85 a share.

Starwood's offer represented the fifth bid proposal ITT's shareholders have received for the company since January and fuelled speculation that Hilton Hotels, the other bidder, would raise its original bid for a third time ahead of Wednesday's shareholder meeting.

Earlier this month Hilton tabled a \$9.4bn, or \$80 a share, bid for ITT. It originally bid \$6.4bn, and then in August decided to raise to \$8.3bn. At Wednesday's annual ITT meeting shareholders will be asked to decide between electing Hilton's slate of directors or ITT's nominees, who have pledged to continue the auction.

Starwood's new offer is \$3 a share higher than its original bid and has a higher cash portion, bringing it more into line with Hilton's current offer. Starwood is offering ITT shareholders up to 30 per cent cash - the equivalent of \$25.5 per share - with the remainder to be paid in Starwood shares.

Starwood's original bid per share comprised \$87 in stock and \$15 in cash. Hilton's current offer would yield ITT shareholders \$56 per share in cash and \$35 in stock. In an attempt to counter concerns about Starwood's ability to close the deal by February 1 because of prospective regulatory problems, the company has also pledged to pay a 7 per cent interest rate penalty in cash to shareholders if it closes after that date. Starwood links a property-owning

real estate investment trust, or REIT, that pays no corporate income tax, with an operating company that manages the hotels managed by the REIT to form a so-called "paired share" structure.

Barry Sternlicht, Starwood's chairman and chief executive, claimed that the new offer was "clearly superior to the Hilton bid. We have responded to the desires of ITT's constituencies by giving ITT shareholders the ability to elect between cash and Starwood paired shares."

He added that shareholders holding about 20 per cent of ITT's shares had "indicated their intention to take substantially all stock in the transaction". ITT, with which Starwood has agreed its offer, said it "continues to believe that Hilton will now also increase its offer". Hilton declined to comment.

Canal Plus concern at timing of share sale

By Andrew Jack in Paris and Philip Gawth in London

Directors of Canal Plus, the French pay television group, expressed concern at a board meeting at the decision by one of its largest investors to sell shares before the release of price-sensitive information.

MIH, the South African-based television operator, sold a 4 per cent stake in Canal Plus to an unidentified buyer on October 21, although it only notified the French company recently.

Canal Plus announced that subscriber numbers in its Italian subsidiary Telepiù, which it acquired at the time of its merger with TV operator NetHeld this year, had been overstated by 15 per cent. The merger gave NetHeld's shareholders MIH and Richemont stakes in Canal Plus and boardroom seats.

Canal Plus said it would be indemnified for the overstatement, based on figures that will be finalised next month. Its shares fell FF8 to FF1.012 on Tuesday.

Directors of the company are believed to have expressed astonishment at the decision by MIH to sell its stake ahead of the announcement about subscriptions.

In addition, Adam, a French shareholders' action group, wrote to the Commission des Opérations de Bourse, the French stock market's watchdog, requesting an inquiry. It said there was a "troubling" link between the share sale and announcement. The COB refused to comment, in line with its usual policy.

One individual close to Canal Plus said MIH was aware of the overstatement of subscribers in Italy and was warned not to sell its stake before the announcement.

But Steve Pack, executive director of MIH in Johannesburg, said his company was "obviously not" aware that the subscriptions had been overstated in advance of the sale of its stake. He said MIH had long declared its intention to sell its Canal Plus shares because its approach was "to run operations, not to hold passive investments".

THE LEX COLUMN

Sinking sun

Japan has entered dangerous waters. Trouble elsewhere in Asia risked obscuring this. But the demise of Sanyo Securities and the Nikkei 225 index's fall below 15,000 have again exposed its weakness. It faces a particularly vicious combination of warring domestic demand and slowdown in some of its leading export markets. This economic plight is aggravated by the falling stock market: the destruction of collateral assets a further contractionary influence on the economy.

The danger of this degenerating into a pernicious downward spiral is obvious. Less clear is whether anything can be done to stop it. Monetary policy offers little room for manoeuvre while fiscal refutation is politically difficult and of dubious economic benefit. It looks increasingly as if Japan will have to take more pain before it can hope to return to health. Sinking share prices and a sickly economy will drive weaker financial institutions out of business. But this is probably unavoidable if the conditions are to be created whereby other banks can be created whereby other banks can again lend profitably. So long as this process does not risk degenerating into a systemic banking crisis, authorities should allow it to take its course.

For global markets, this is all very unsettling. Right now, some cite Asian deflation as providing support to Wall Street. But if Japanese institutions are forced to start repatriating assets, all bets will be off.

Royal Dutch/Shell

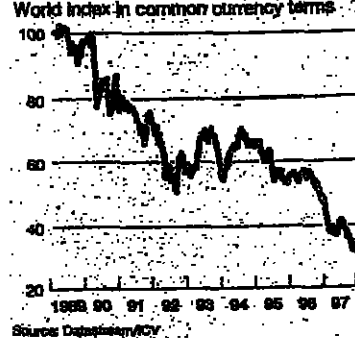
Shell does not do things by halves. Its alliance with Gazprom to buy Rosneft signals a gargantuan late push into Russia. While rival American companies were forming strategic alliances in Russia over the past five years, Shell waited in the wings for Gazprom. With its unfathomable reserves and insatiable appetite for cash, the gas behemoth was always the obvious, if previously unwilling, partner for Shell's technological and financial strengths.

Its shrewd offer to support Gazprom's troubled \$1bn convertible bond issue - either by underwriting it or buying it wholesale - may secure Shell the political clout it needs to win Rosneft. More importantly, a Russian partner will help Shell obtain enough financial data to identify a fair price. As valuations of Rosneft currently range from \$1.4bn to \$5bn, depending on

FTSE Eurotop 300 index
 893.7 (-23.4)

Japanese equities

Nikkei 225 Average/points to the FTSE/JAP World Index in common currency terms



Source: DataStream/FTSE

estimates of Rosneft's debt and value per barrel of reserves, getting the right data will be crucial - all the more so given the temptation to pay a significant scarcity premium for the last big Russian oil company to be privatised.

Minority stakes, particularly in companies with primitive notions of corporate governance, are not Shell's style. Nevertheless, Arco's successful experience with its 8 per cent holding in Lukoil shows such stakes can work. Shell's chance to create one of the strongest oil and gas alliances in the world may be fleeting. It should seize it while it can.

ITT

The bid battle for ITT is producing more twists and turns than a hotel's plumbing. By raising its offer to \$10.2bn and adding a larger slug of cash, Starwood Lodging has improved its chances. But 70 per cent of its bid is still stock. That ITT's shares have remained stuck at \$80 when Starwood is nominally offering \$85 a share shows investors remain suspicious about Starwood's paper. Rightly so. Raising your offer when you are already bidding the most is hardly a vote of confidence in the value of your own paper. Even if Hilton does not sweeten its \$80-a-share offer ahead of ITT's shareholder meeting on Wednesday, it should still win: it offers more cash, greater credibility and a shorter timetable.

Unfortunately, it is not that simple. Next week's meeting will either re-elect ITT's directors to the board or elect a slate put forward by Hilton. While Hilton nominees would clearly accept Hilton's offer, ITT's

directors have promised to auction the company to the highest bidder. So shareholders must weigh up the odds of squeezing out yet more value against Hilton's promise to walk away if it loses on Wednesday.

BTR

BTR is badly in need of good news to revive its flagging share price. The imminent slew of disposals should at least remind investors that it has a credible plan to transform itself from conglomerate to engineer. But the \$515m price will not set pulses racing. At 1.1 times net assets, this only just scrapes into the range most analysts expect for the disposal programme as a whole.

Moreover, the disposal also highlights another problem with BTR's current wave of sales. The operating profit margin of the companies being sold - 14 per cent - is close to that of the engineering businesses BTR is planning to buy, for which the prices could be higher. That leaves a lot riding on the virtues of focus.

Unilever

The boldness of Unilever's decision to escalate its restructuring charges to \$800m rightly helped its shares to stand out like a beacon yesterday. The move shows extra steel in the management's resolve to cut costs and dispose of poorly performing assets in its mature European and North American markets. It also helps steepen the earnings growth line from here on: yesterday pre-tax profit forecasts were being cut for this year but raised after that. A cynic would point to an element of window dressing here. But Unilever has at last earned the benefit of the doubt through impressive margin improvements.

This is, of course, a good year for the group to take a hit: it will be more than offset by a \$30m gain on selling its specialty chemicals business to Imperial Chemical Industries. This leaves the group with nearly \$40m net cash to spend, plus at least that much again in borrowing power.

With sales flat in Europe and North America, it is obviously aiming at emerging markets. Recent market turmoil might make this look a high-risk strategy. In fact it should reduce the price of acquisitions - an important point when vendors can all too easily see the depth of Unilever's pockets.

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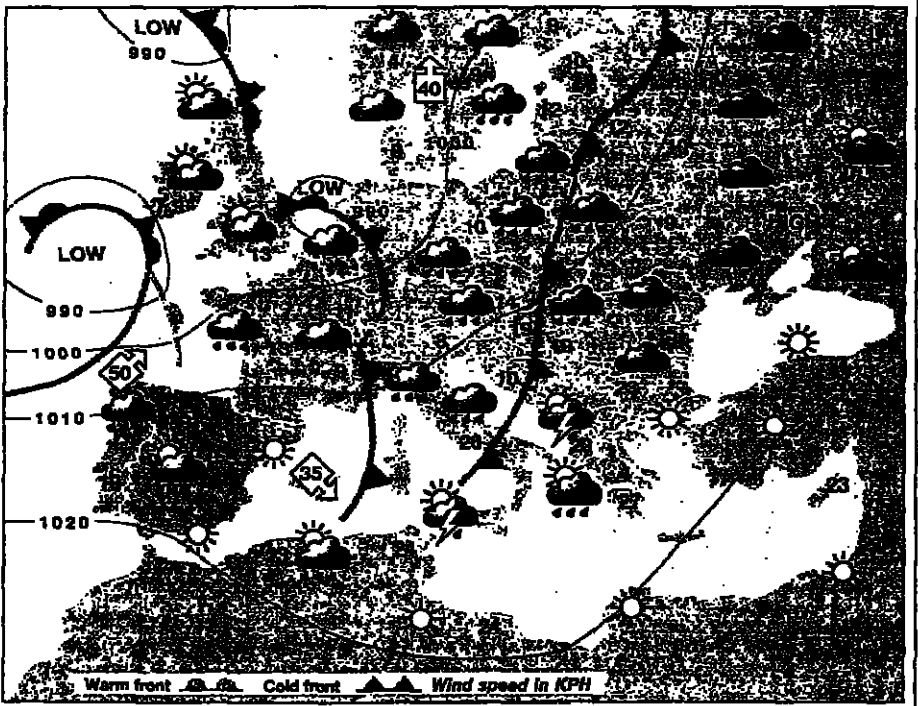
FTSE 100	4,764.3	(-89.5)
Yield	3.40	
FTSE Eurotop 300	893.7	(-23.38)
FTSE All-Share	2,285.46	(-1.70)
Nikkei	15,826.38	(-897.51)
New York: Dow Jones	7,591.06	(-121.88)
S & P Composite	923.39	(-14.84)
LONDON MONEY		
3-mo Interbank	7.11%	(7.13%)
Libor 6m	7.11%	(7.13%)
US LUNCHTIME RATES		
Federal Funds	5.75%	
3-m Treas Bill	5.75%	
Long Bond	6.91%	
Yield	6.140%	
NORTH SEA OIL (Argus)		
Brent Dated	\$19.28	(18.82)
GOLD		
New York Comex (Nov)	\$316.4	(12.4)
London	\$308.7	

FT WEATHER GUIDE
Europe today

Southern and central Scandinavia will be mild and wet while the north will be mostly dry but cold. The Low Countries, Germany, Austria and Switzerland will be mostly cloudy, with rain in many parts. Southern France and coastal Spain will be warm and mostly sunny. Elsewhere in France and Spain there will be rain at times. Portugal will move in during the afternoon. Italy will be cloudy with outbreaks of rain, heavy and thundery in places. Greece will start sunny but showers will develop, some of them heavy.

Five-day forecast

Western and central Europe will remain unsettled with further rain. Western and central parts of the Mediterranean will have more thundery downpours with only the eastern Mediterranean staying dry and mostly sunny. Southern and central Scandinavia will remain mild and wet but it will be cold in the north.



Situation at midday. Temperatures maximum for day. Forecasts by FA WeatherCentre

TODAY'S TEMPERATURES

Abu Dhabi	Max 30	Beijing	Fair 12	Cardiff	Rain 10	Frankfurt	Cloudy 13	Madrid	Shower 17	Rangoon	Cloudy 32
Azores	Shower 26	Belfast	Shower 9	Casablanca	Shower 24	Geneva	Cloudy 8	Majorca	Fair 22	Riyadh	Cloudy 2
Algiers	Shower 23	Berlin	Cloudy 11	Chicago	Fair 11	Glasgow	Cloudy 22	Malta	Fair 23	Sao Paulo	Fair 27
Amsterdam	Shower 13	Bombay	Cloudy 20	Cologne	Cloudy 14	Hamburg	Rain 9	Manchester	Shower 11	Rome	Rain 20
Athens	Cloudy 21	Buenos Aires	Fair 27	Dakar	Fair 32	Helsinki	Cloudy 13	Maracaibo	Fair 29	S. Francisco	Cloudy 19
Atlanta	Sun 20	Brussels	Shower 13	Dallas	Sun 23	Hong Kong	Rain 9	Melbourne	Sun 22	Saudi	Sun 14
B. Aires	Rain 29	Budapest	Shower 11	Doha	Fair 35	Hong Kong	Fair 24	Mexico City	Sun 24	Singapore	Cloudy 31
Bham	Rain 10	Chengdu	Shower 18	Dubai	Cloudy 33	Hong Kong	Fair 30	Miami	Sun 24	Stockholm	Cloudy 9
Bangkok	Fair 32	Caracas	Cloudy 29	Dublin	Shower 10	Istanbul	Sun 18	Milan	Rain 17	Strasbourg	Cloudy 16
Barcelona	Fair 20			Dutrovin	Shower 11	Jakarta	Fair 33	Montreal	Shower 8	Sydney	Cloudy 21
				Edinburgh	Shower 11	Jersey	Shower 14	Moscow	Cloudy 11	Tangier	Shower 25
				Faro	Cloudy 22	Johannesburg	Cloudy 30	Murich	Cloudy 13	Tel Aviv	Fair 20
						Karachi	Sun 34	Nairobi	Cloudy 23	Tokyo	Sun 17
						Kuwait	Fair 31	Naples	Shower 22	Toronto	Shower 9
						La Paz	Fair 28	Nassau	Cloudy 27	Vancouver	Cloudy 10
						Lima	Cloudy 24	Nice	Fair 19	Vienna	Shower 16
						Lisbon	Rain 20	Nicosia	Sun 24	Warsaw	Thunder 17
						Luxembourg	Shower 13	Oslo	Cloudy 8	Washington	Cloudy 14
						Lyon	Cloudy 17	Paris	Shower 14	Wellington	Rain 14
						Madeira	Cloudy 23	Perth	Fair 29	Winnipeg	Sun 1
								Prague	Rain 14	Zurich	Cloudy 14

No other airline flies to more cities in Eastern Europe.

Lufthansa

THERE'S A SIDE TO RICHARD BRANSON YOU HAVE NEVER MET

On Cable and Satellite
All times listed are CET

21.00 (8.00pm UK)
World News
20 minutes of updated global news coverage including financial headlines, sports, weather and features highlights

21.30 (8.30pm UK)
Pinnacle Europe
Every Sunday we meet Europe's top business leaders to find out what drives them, how they run their professional lives and their secrets for success

22.00 (9.00pm UK)
World News

CNN
INTERNATIONAL

FT

WEEKEND

NOVEMBER 8 / NOVEMBER 9 1997



It's a knockout

'Perhaps I am a weakling, a coward and a degenerate, but I like boxing. I hate violence, but I like boxing.'



Business of gardening

'If it moves, manage it; if in doubt, rename it; if you have no idea what you're doing, send out an enormous bill.'



Great escapes

'Ride an elephant; snorkel in Zanzibar... don't spend Christmas alone. A three-page Travel special.'

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Pages XIII-XV

From dust to dust

California has everything - except water. Its future, Christopher Parkes says, could depend on the fate of a river, the Colorado

The etching of the Grand Canyon is the Colorado River's masterpiece. Five million years in the carving, a mile or more deep and spanning half of northern Arizona, it is a fit monument to a powerful waterway's lost freedom. Human intervention, which in less than a century has tamed, dissipated and corrupted its natural forces, has created another memorial 300 miles downstream in California's biggest lake, the Salton Sea.

For those who can stand the stink, the beaches of Desert Shores and Salton City, half-dead resort towns on the Colorado. Water the colour of consommé, laced with mucous strings and bobbing with thousands of decaying fish, laps a shoreline covered with yet more fishy corpses. The beach is an unrefined, ankle-deep amalgam of fish bones and the husks of barnacles.

Five years ago, more than 150,000 migrating eared grebes died on the lake. Last year, 14,000 birds were killed by avian botulism and, this year, an entire nesting colony of 2,000 double-crested cormorants was consigned to two purpose-built seaside incinerators. Today, scattered bundles of feathers litter the water's surface to welcome the winter migrations of snow geese and other northern visitors along the Pacific Flyway.

Twinkling aquamarine from the air, and still blue on the maps, this broken head split from the necklace of man-made lakes along the Colorado is a navigational beacon not only for winged migrants but for the millions of people pouring into the empty south-west.

But it shines to deceive. In terms of water supplies, the south-west cannot accommodate more people. Without new sources, according to the California Water Resources Board, the state will be chronically short of water in less than 15 years.

The ultimate fate of the Colorado is far from determined, but its progress to date is notable for the familiar themes from the history of industrial man - of natural grandeur hobbled by overbearing ambitions, wantonness and neglect. There are echoes of the profligate destruction of the plains buffalo. In 1819, Cherokee leader Tahlonteskee wrote: "They

do not destroy less than five thousand buffaloes every summer for no other profit but for the tallow... a thousand weight of meat is thrown away for no other profit than perhaps 20 pounds of tallow."

To drive by the rice paddies around Fresno in California's central desert, or to sit by a Los Angeles pool listening to irrigation water rippling through the garden's tropical foliage and down the drain, is to share Tahlonteskee's unease. To visit Owens Lake, a dry-salt blot on the high desert, is to appreciate the workings of Los Angeles; more specifically, those of William Mulholland, superintendent of the LA Department of Water and Power in the early years of this century, and, according to historian Kevin Starr, the city's "one universally-acknowledged founder".

In a plot which underpinned the script of Roman Polanski's film noir, *Chinatown*, Mulholland and his associates built the Los Angeles aqueduct across and through 250 miles of high country, stripped Owens Lake of its water supply, and destroyed the thriving orchards and ranches around its shores.

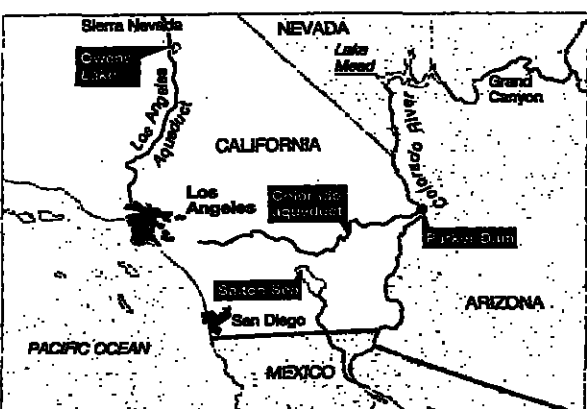
In 1913, Mulholland the

single spectacular intervention, conspired at under a cloak of silence enveloping politicians, newspapers, farmers and land developers, still informs popular and political opinions in neighbouring regions that southern Californians are alien, unmanageable, unfathomable, untrustworthy.

The rape of Owens Valley was the start. Since then, the Los Angeles River - "It was so attractive to me that it at once became something about which my whole scheme of life was woven," Mulholland wrote - has been reduced to a dry concrete storm drain, commonly used for film chases.

Only now is the cost becoming apparent. The city was this summer confronted with a regional government order to repair the Owens Lake by giving back 15 per cent of the water the city yearly draws down the aqueduct - in perpetuity. "There it is, Fix it," said the former DWP executive who issued the edict.

The Colorado is now the prime source of water for LA and the rest of southern California, and it, too, has old scars in need of fixing. Far from public view, the costs of the Salton Sea catastrophe continue to mount.



munificent stood by the aqueduct in the San Fernando Valley and, as the first water rushed out, announced to the city: "There it is. Take it." Within seven years, arid Los Angeles County had become the largest agricultural producer in the US, and home to the biggest city in California, according to David Wyatt's *Five Fires*.

Meanwhile, Owens Lake became a dust bowl, on windy days showering surrounding towns and the Sequoia National Park with gritty clouds of sand, salt and toxic heavy metals. This

In prehistory, the lake was a part of the Gulf of California. Trapped inland by millions of tons of silt dumped by the Colorado, it dried into a great alkaline basin, about 250ft below today's sea level, and was to remain an unaltered part of the southern desert until 1905. That was when one of man's earliest grand-scale interventions misfired with the collapse of an earthwork canal system intended to reroute Colorado River water into the ancient delta to irrigate the silt.

For almost two years, the entire river's flow rushed

into the salt-rimed depression. By the time the levees had been rebuilt, the river had swamped a 380 square mile area with water up to 50 feet deep.

The river's awesome arithmetic had been made accessible, its flow rate and volume refined to imaginable numbers. For the first (recorded) time, the Colorado's delta, 100 miles south on the Mexican coast, ran dry. The river which lost its way had become the longest reservoir in the world.

The Salton Sea remains as much a part of the Colorado's present as its past. It sits, an unexcised cyst, embedded in some of the most productive farmland in the world. With no ocean outlet, it is still fed by Colorado River water which today trickles in the form of chemical-laden irrigation run-off from the farms of the Imperial Valley, Blythe and Coachella districts.

The New River, flowing black with sewage from Mexico, adds to the deprivations.

And all around, date gardens and table grape vineyards flourish in the sun. Cooling freshwater mists bathe field crops in the hottest weather. Sprinklers and irrigation systems feed cotton, alfalfa, sugar beet, citrus orchards and the fruits and greenstuffs which have earned the area the title of the world's salad bowl. Sheep and tropical beef breeds graze attended by flocks of egrets picking ticks.

Three-quarters of US winter supplies of fresh vegetables come from this 500,000-acre market garden. There are resources enough for more, except that selling water in its natural form now makes better economic sense than packaging it in

cumbersome lettuces and shipping it by road.

Colorado River water is so abundant in this desert that plans have been laid to sell 300,000 acre-feet a year to San Diego, the booming border city 100 miles to the west, which has reliable rainfall and already imports 90 per cent of its water. An acre-foot, the volume required to flood an acre one foot deep, will supply two families for a year or fill 13 backyard swimming pools.

Septicism aside, there is a time-honoured western principle - that whisky's for drinking and water's for fighting over - which ensured that the proposal to pipe water into San Diego would lead to conflict. As in the past, the hostilities originate in the feudalistic struggles portrayed in *Chinatown*, and expressed in the Californian wisdom that "water flows uphill to money and power".

But there are thematic tensions at work more telling than this local dispute where land barons and out-of-state agribusiness corporations represent the money and power. They reach far upstream into Arizona and Nevada - which, with California, comprise the Colorado River Lower Basin - and across the country to Washington.

The issue is the enduring belief that California is up to its old water-grabbing tricks, the better to consolidate its position as the west's economic superpower, and establish its neighbours as dependent satellites. As noted in *Five Fires*: "Water was and is brought to Los Angeles less to meet a necessary demand than to provide an infinite supply."

Bruce Babbitt, the US interior secretary, intervened last December, telling the state that if it did not learn to live with its official allocation of Colorado River water, reductions would be imposed. The semi-desert that is southern California draws 70 per cent of its water from the Colorado River. It stands to suffer severely if Babbitt makes good his threat, but even without Washington's strictures, the neighbours seem bent on making sure quotas are adhered to.

Nevada and Arizona still live within their allocations, but California has, for the past two years, exceeded its allowance by almost 20 per cent. This spring, Arizona, which last year saw its unused surplus filling Angeleno swimming pools, started stockpiling supplies underground in exhausted aquifers.

If this project was seen by some as a dog-in-the-manger reaction by a peevish neighbour, it also represented a rare attempt at conservation and a belated acceptance that the beneficence of the Colorado River is neither infinite nor to be governed by man. In its own small way, Arizona's initiative may represent a turning point in the husbandry of a river that has long been treated as little more than a utility from source to its dead-end in Mexico.

Springing unsuspecting from the Rocky Mountain snow-melt in Wyoming and Colorado, it travels 1,400 dammed, blasted and diverted miles across seven states, draining more than 250,000 square miles as it goes. Its value is commonly expressed in terms of provision of water and electricity for 10 per cent of the nation's population.

Only now is the thought

starting to intrude on the collective consciousness that the cities of the west cannot exist without it and that urban growth cannot continue without a change in the course of the river's exploitation.

Early on in *Chinatown*, Sam Bagby was talking about Los Angeles when he described the precariousness

of a desert city's existence. More than 20 years on, his lines could apply to any one of a dozen fast-growing communities in the west: "Without water, the dust will rise up and cover us as though we never existed."

* *Five Fires: Race, Catastrophe and the Shaping of California*, by David Wyatt. Addison-Wesley, \$25.

This week's contents and columnists

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Joe Rogaly

Companies rule, OK?

'Corporations are heading for dominance over the affairs of most advanced countries'

Page III

NEXT WEEK

Hoax or vanishing authors

'In a world of piracy, it is little wonder that words, too, should end up in a parallel universe'

In FT Weekend

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PERSPECTIVES

Minding Your Own Business

Looking for a sparkling future

Brody thought it had sequins sewn up. But then along came recession. Clive Fewins reports

Rodney Brody was in New York in 1964 when he stumbled upon a key opportunity. Through the American supplier he had gone to visit, he heard of a small textile manufacturing company in Manhattan that was in the hands of the liquidator and selling all its machinery.

Within a few days he had bought its sequin-making machines and arranged for them to be shipped back to the UK.

To this day, Brody cannot say whether the move - it cost £80,000, a lot at that time - was brilliant intuition or just inspired guess work.

However, it set his small, east London-based textile company on a course that brought expansion and boom conditions throughout the 1970s and 1980s.

"The purchase led us to another small New York company which effectively made all the sequin-making machinery in the world," says Brody, now 55. "It was really a one-man business and by buying all his machines I felt pretty sure we had eliminated all competition."

During the 1970s and 1980s, the family company, Brody International, changed from being pleating specialists - Brody's father Maurice had started the business in the same building in 1937 - to being the only manufacturer of all types of sequin products in Europe. Its lines included

sequin cloth, stretchy fabrics, boob tubes and trimmings for collars, cuffs, straps and stretch belting, as well as making the sequins themselves out of sheet pvc.

Brody made its first overseas sale in 1978: five years later it won a Queen's Award for export. The company still sells more than 50 per cent of its production overseas - mainly to continental Europe and Japan.

By the late 1980s, turnover had reached £4.5m, with net profits at about 20 per cent. There were nearly 250 people working in the cramped building in Strype Street, E1.

However, the good times did not last. Rodney Brody has a maxim that business is one third skill, one third luck and one third timing. If his coup in New York was due to both timing and skill, it was the third factor - luck, or rather ill luck - that hit in the late 1980s.

"Someone in the Far East realised what was happening in the world of sequins and managed to buy a sequin machine from America," Brody says. "Almost before we realised, there were eight or 10 of these machines operating in Asia and all our stuff was being copied at about a quarter of the price. Then in the early 1990s, the recession hit nearly all our markets and many customers just disappeared."

"To make matters worse, fashion changed. The shiny luxurious look, based on sequins, was out and dressing down was in. Grunge had arrived."



Rodney Brody pins his faith on sequins: 'The millennium is fast approaching. It is time for dressing up. The good times are just around the corner'

An added stroke of bad luck was that the company's prime market - West Germany - also faltered following unification with East Germany.

"The years 1992-1996 were really terrible," Brody says. "We were low on capital because we had invested very heavily in stock in 1990/91, when turnover doubled. When 1992 turned out to be so awful, we shrank the labour force dramatically - fortunately there were very few compulsory redundancies - and imposed strict cost controls."

"Since then we have had a workforce of around 50 and only in 1993 has turnover exceeded £2m. In the past three years we have just about achieved break-even."

Things were so bad that Brody contemplated closure in 1994.

In 1995 the company had signed a 14-year rent review

with its landlord, a large insurance group. "Normally small companies like us regard long rent review periods as good things, but in our case this backfired," Brody says.

"We negotiated the rent at the height of the boom. By 1992/93 rents crashed and we found ourselves paying well over double the going rate."

"I kept telling our landlords we could not afford the rent. My father had been trying to persuade them to sell the building to us for about 25 years and eventually they agreed."

"I think it was partly the realisation that if we left they would have had difficulty re-letting."

The sale nearly failed to go through as the Brodys were unable to achieve the reserve price at auction. When the landlord failed to sell to any other buyer, the Brodys heaved a sigh of

relief but even then, as agreement was near, there was a last-minute hiccup. Another potential buyer offered £100,000 more.

"We made a plea that we had been model tenants and that a business and 50 jobs

that was the last thing on our minds. Fate - or as Brody would prefer to call it, luck - intervened."

"In 1996, almost overnight, things started happening in this part of London," he says. "Life - the London International Futures and Options Exchange - announced it was to move to Spitalfields, providing 12,000 jobs. Berkeley Homes decided to build a large block of executive flats at Spitalfields, and ABN AMRO Bank announced it was moving to a new site in Bishopsgate. All this was within 300 yards of us."

"The City was moving east and other buildings close to our previously run-down area were being converted into flats. Suddenly our building had huge potential."

Another stroke of luck was that the architect Brody had commissioned to obtain

planning permission and produce a conversion scheme, Oliver Richards of ARMS Architecture and Design, not only succeeded in this but also found Brody a buyer for the property.

Brody will not say how much he sold the building for, but in early September this year the workforce moved to a new home, a former printworks four miles away at Bow.

"We are all on one floor here, rather than seven, and I am sure we shall be more efficient and able to make bigger profits on a smaller turnover," he says. "The family atmosphere remains - some of our employees have been with us more than 40 years."

"Nevertheless, it has been a huge wrench. I have first option to buy any of the 28 flats into which Brody House is being converted. The 1930s clock from the old building

is now on the wall of the factory area in the new headquarters.

"Within three years we sold the old building for five times what we paid for it. It enabled us to fund the move and the outright purchase of the new building, which cost £200,000. The Barclays loan has been repaid."

"We have done very well out of this, but success was far more due to luck and timing than skill."

Brody is optimistic about the future of the business. "Orders are returning from Germany, which is a good sign," he says. "The millennium is fast approaching, which means it is time for a return to the shiny look and dressing up, rather than down. Good times are just around the corner."

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The Nature of Things

The huge unstoppable experiment

Clive Cookson looks at the potential dangers of genetically engineered plants

Genetically engineered plants are spreading rapidly over the fields of North America. This year farmers in the US and Canada planted an estimated 10m hectares with crops - maize, cotton, soybeans and oilseed rape - that have added genes to make them resistant to insect pests or herbicide sprays.

In Europe, the equivalent transgenic crops have not got beyond small-scale trials, as environmentalists and politicians argue whether the risks of plant genetic engineering outweigh the promised benefits of improved agricultural yields and quality. The debate has generated much emotional heat but little scientific light. What, then, are the real risks?

For many consumers, the main concern is a selfish one: that eating genetically engineered foods will damage their health. Hence the campaign for all products containing genetically modified ingredients to be labelled, so people can avoid them if they want to.

Most scientists, on the other

hand, are not worried by the direct health risks. They say the products of the newly inserted genes are harmless to humans - and any unforeseen problems caused by genetic engineering can be picked up by stringent testing.

A recent example was the transfer of a gene from Brazil nuts to soybeans. This was intended to improve the beans' nutritional quality by adding an essential amino acid, but it had the unexpected effect of triggering an allergic reaction in some people who ate them during research tests. The project was therefore dropped.

The environmental hazards of crop genetic engineering are potentially more worrying. One big risk is that terrible new

weeds could be created inadvertently.

It is unlikely that many crop plants could be turned directly into weeds, simply through the addition of one or two new genes, because they are too highly bred for human purposes to thrive in the wild. But scientists are worried by the danger of the added genes spreading from crops into existing weeds and giving them a new selective advantage, through added resistance to pests, chemical sprays or bad weather.

The genes could leap into weeds through the formation of hybrids between crops and related wild plants. Just last week, French scientists reported in the journal *Nature* the results of experiments to test this

hypothesis. They confirmed that herbicide resistance genes, added to oilseed rape, could move into hybrids between rape plants and wild radish - and persist in the field through several generations.

Although the French experiments do not prove that this would be a problem in agricultural practice, they do give cause for concern.

Another environmental concern is the effect on insects of adding insecticidal genes to crops. Several of the first-generation transgenic crops produce a bacterial toxin, known as Bt, which kills insect pests. Biologists fear that evolutionary pressures may soon make the pests resistant to the toxin, which is also applied as a bio-pesticide. In that case,

farmers would have to resume spraying chemical insecticides. Crop engineering companies believe they can control the resistance problem by requiring farmers to plant "refuges" of conventional crops alongside transgenic Bt crops. For example, as a condition of buying Monsanto's Bt cotton seeds, US farmers must plant one acre of ordinary cotton for every 25 acres of transgenic crop. The idea is that non-resistant pests can thrive in the refuges and constantly replenish the insects' gene pool with vulnerability to Bt. But it remains to be seen whether such refuges will be large enough to work.

Then there is concern about possible knock-on damage to beneficial insects. Although

insecticidal genes are aimed specifically at pests, such as the cotton bollworm, they may cause secondary damage to other insects.

A three-year project, sponsored by the EU, is now underway to study the impact of transgenic plants on bees and other pollinating insects. Preliminary results suggest that genetic engineering of rape plants slightly changes the chemical composition of nectar and pollen collected by bees - changing their foraging pattern and increasing mortality.

Campaigners against crop engineering, such as Greenpeace, point to other specific hazards - for example, from the "marker genes" for antibiotic resistance that are inserted into some

transgenic plants for technical reasons. But their loudest alarm is about unforeseen dangers that may come from the sheer unpredictability of genetic engineering.

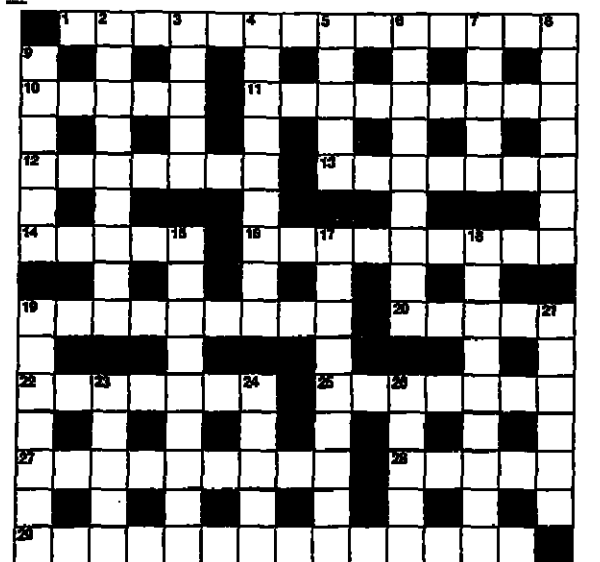
On the other side of the argument, the big ag-bio companies such as Monsanto, AgrEvo and Novartis point to the "risks" of abandoning crop engineering. They say it offers the only route to increasing agricultural yields enough to feed the world's growing population in the next century, without ploughing up the remaining wild parts of the planet or using unacceptable levels of chemical fertilisers, pesticides and herbicides.

In fact, it is probably already too late to stop. The agricultural and industrial momentum behind genetically engineered crops is irresistible. Too many American farmers are already convinced of their benefits. And their European counterparts will not stand being left out for long. A huge experiment in environmental genetics is under way.

CROSSWORD

No. 9,527 Set by DINMUTZ

A prize of a classic Pelikan fountain pen for the first correct solution opened and four runner-up prizes of Pelikan M200 fountain pens. Solutions by Wednesday November 19, marked Crossword 9,527 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9NL. Solution on Saturday November 22.



Name: _____
Address: _____

WINNERS 9,515: D. Bartram, Wymondham, Norfolk; J. Courage, London SE; C. Elliott, Warrnam, West Sussex; L. & I. Finlay, Glasgow; R. Warner, Toddington, Bedfordshire.

ACROSS

- 1 Hardy characters splashing Welsh deodorant about (14)
- 2 Coming before a superior (5)
- 3 Spotted tiger is a variety of one, having no hue (4-6)
- 4 Continent following mishap, but without speech (7)
- 5 Upper part of column can be very serious (7)
- 6 Producers of woolly jumpers (5)
- 7 Honest and sober, is taking endless credit (9)
- 8 Following delivery of mail to South African province (4-5)
- 9 I am in fashion as an Athenian (5)
- 10 Balance in a way, after a most enjoyable time (7)
- 11 Dependable artiste a blasphemer, reportedly (7)
- 12 Folly to drop right cheek (9)
- 13 Lincoln with the French white poplar (5)
- 14 One's men healthy turning out here to row? (6-2-6)

Solution 9,526

DOWN

- 1 Increases numbers of women, in pre-marriage party, embracing host-crew (9)
- 2 What things do we say when poet is devalued? (5)
- 3 Does it give a hoot when it repeats? (3-6)
- 4 Schubert's time, I call out (5)
- 5 This paper's fresh dash? (9)
- 6 Be second in going offstage (5)
- 7 She will close account in the finish (7)
- 8 Faddy couple used to catch bigger fish (9)
- 9 How Americans beg in search for name? (5)
- 10 Measure kitchen-garden (5)
- 11 Watch season composition (9)
- 12 Left inn first with his change - put out? (7)
- 13 Anxiety in Severn trip (6)
- 14 Nobody's boy makes such a bloomer! (5)
- 15 Final measure of Paris (5)
- 16 What Japanese drink, mostly, within borders of Oklahoma? Their own port! (5)

Solution 9,515

ALSO ACROSS

DOWN

- 15 Faddy couple used to catch bigger fish (9)
- 16 How Americans beg in search for name? (5)
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- 18 Watch season composition (9)
- 19 Left inn first with his change - put out? (7)
- 20 Anxiety in Severn trip (6)
- 21 Nobody's boy makes such a bloomer! (5)
- 22 Final measure of Paris (5)
- 23 What Japanese drink, mostly, within borders of Oklahoma? Their own port! (5)

Solution 9,515

ALSO ACROSS

ALSO DOWN

BRIDGE

This week's declarer is renowned in London's rubber bridge circles as a player who likes to dominate the table, steam rolling his opposition with a combination of speed and aggression. To be pugnacious in the auction, however, requires accuracy in the play, and South proves he is up to the job.

W E
♠ A 9 7
♥ Q J
♦ A 6 4 3 2
♣ 9 4 3

North East South West
4S
With all vulnerable, South's pre-empt had bargained East-West out of their own game. When West led A♥, North tabled a useful dummy. Nonetheless, declarer still faced four losers. At least if East could be prevented from gaining the lead, South's ♠K6 was safe.

The challenge would be to establish dummy's diamond suit without East winning a

trick. At trick two, West switched to a trump, and declarer spotted his chance. He led Q♥ and pitched his 5♥. West won, and switched to a diamond but, now, South could win dummy's A♦ and ruff a diamond in hand.

Returning to dummy's 9♣, he led another low diamond, and ruffed again. With the suit 3-2, the diamonds were established, and declarer reached them by playing a carefully preserved low trump to dummy's 7♣. Both clubs were discarded, and South recorded an over-trick.

Without this loser-on-loser play, East would have had the opportunity to win the second round of diamonds, and wing through a club. Even if the diamonds had split badly, declarer could still have led a club from dummy towards his ♠K6, hoping that the A♠ was right for him.

Should West switch to A♠ once the loser-on-loser play is found? Yes. Here it would only have saved the over-trick but the contract could have been defeated if South had held ♠Qx or less... and knowing this South, less was more than likely.

Paul Mendelson

CHESS

English medal hopes at the world team championship in Lucerne were dashed in the final two rounds. First gold and silver disappeared in a limp 2-2 draw with Ukraine, then Armenia snatched the bronze in the last round. Scores were Russia 23½/38, US 23, Armenia 21, England 20½, Ukraine 18, and five others.

In fact, England's troubles started earlier. Nigel Short drew all eight games on top board, while Julian Hodgson had a nightmare tournament with two defeats and a draw conceded by Armenia in a won position.

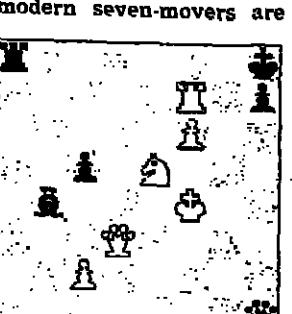
Hodgson's Tromp Opening 1 d4 d5 2 Bg5 has been the scourge of his opponents for a decade and has become popular in UK club and social chess, too. But his well-primed opponents in Lucerne met it with the cunning sequence h6 3 Bx4 c5 4 e3 Qb6 (Black strikes at b2 while White's bishop is away) 5 b3 Bx5 6 Nf3 e6. Black avoids the routine Nf6 when White's Bx2f6 weakens the K-side pawns. 7 Bx3 Bxd3 8 Qxd3 Bc7: The point; Black develops without creating targets for attack 9 Exe7 Nxe7 10 0-0 Nd7 and Black had solved his opening problems in Hodgson v Minasian.

Leonard Barden

Matthew Sadler was England's best player, and Adams and Speelman also gave solid performances. Private bankers Duncan Lawrie Ltd have provided exemplary support in nearly two decades of progress, and there will be another realistic medal chance in the 1998 Olympiad. But perhaps it is time for changes in the team, the board order, the selectors, or the style of captaincy.

No 1205
White mates in seven moves, against any defence (by Ercole del Rio, 1769). Most modern seven-movers are

too hard for a family newspaper, but del Rio's is eminently solvable by the kind of attack you dream of creating in your own games.



Solution, Back Page

Leonard Barden

سكرا من الامل

PERSPECTIVES



Joe Rogaly

Forget governments – companies rule, OK

Trust in elected leaders has fallen dramatically. But never mind – we're about to get some unelected ones

When you see a posse of Harvard professors galloping towards you, head for the hills. They seek to shift your mood from its usual care-free joy to one of disquiet, make you toss and turn in the small hours, leave your mind abuzz. If you fail to run fast enough the thundering hooves draw close. The rope snakes around you. You are lost.

That is what happened to me when I picked up *Why People Don't Trust Government*. The list of contributors contains the names of no fewer than a dozen distinguished professors, most of them attached to the John F. Kennedy School. I should have known better. I was about to be hog-tied.

The thing was perfect. It was November 5, a night on which the British let off fireworks to

remind them of Guy Fawkes. In 2005 it will be the 400th anniversary of his attempt to blow up parliament. Now that was mistrust.

We regard the guy as a figure of fun. A deadly serious and lethal bombing – of the Alfred P. Murrah federal building in Oklahoma City in April 1995 – led our professors to ask themselves about levels of trust in the US government. The Kennedy school set up what, I am sorry to say, is referred to as a "multi-year research and outreach project that will consider and articulate Visions of Government for the Twenty-first Century". No wonder it took 12 of them to assemble this first instalment.

It certainly kept me up late. In 1964, we are informed, three-quarters of the American public said they trusted the federal government "to do the right thing

most of the time". Today the equivalent figure is down to a quarter.

Voter apathy is widespread. New York City re-elected Rudy Giuliani on a 58 per cent turnout. Confidence in non-governmental institutions – big companies, doctors, journalists, even universities – has also fallen. This phenomenon is not confined to the US. It can be found in most developed countries.

We may ascribe some of the blame to the viciousness of party politics. What, then, of the 1984 presidential campaign? The contestants were James G. Blaine and Grover Cleveland. The latter was known to be the father of an illegitimate child. "Blaine, Blaine, James G. Blaine, the continental liar from the State of Maine" chanted one side. "Ma, Ma, where's my Pa? Gone to the White House, ha ha ha," came

the response.

Another common explanation is the Jeffersonian streak in the American psyche. Thomas Jefferson insisted on amendments to the original constitution and so limited the reach of the federal government from the start. But in private, this founding father expressed almost as much fear of capitalist avarice as of the power of government. "He would have preferred that America remain a pastoral society," one of the authors notes.

We will not follow our mounted thinkers through their list of 17 possible causes of the decline in American confidence in government. That would leave us saddle-sore. The authors say they have a single plausible story to tell. They start with the Vietnam war, and the tangle of presidential lies known as Watergate. This led to a disillusion

that persists "because some political sins of deception have become habits for politicians and are now a constant topic for media attention".

That last remark sounds familiar to British ears. On Wednesday, Lord Nolan, appointed to ferret out misconduct in public life, said on BBC TV that "the public perception of sleaze runs far ahead of the reality... The press... has played its full part in the growth of cynicism". Other elements in the US analysis are universal. There is public anxiety about the pace of change, made faster by the global dominance of the information and financial services businesses.

This adds impetus to "a long-term secular change in the balance between the individual and the community that has been going on for centuries in

Western culture". Who would have guessed it? Remember the 1960s. Government becomes an arbiter of race and gender relations and takes a view on the family. Negative campaigning is magnified by TV. The upshot is that those who aspire to govern now confess in advance that there is a limit to what they can do in office.

Wait. In picking through these rocky mountains of conjecture we see a glint of gold. It comes in the concluding chapter. "Big business is still unpopular, yet the regulation of capitalism has become a marginal subject in contemporary politics," we read. "Anti-trust policy is now the arcane preserve of specialists."

I would go further. Government, says I, without being part of a team of contributors large enough to fill a Boston jury box, is becoming increasingly less rel-

evant to the everyday lives of people. Business is the strongest force in the Atlantic politics. Polls may tell us that companies are no more trusted than elected authorities but what does that mean? Corporations matter more than ever. They are heading for dominance over the affairs of most advanced countries.

There have been periods in history when government has been minimal, when rich individuals have been in the ascendant. We should recall how things were then, and try to imagine what boardrooms may have planned for us over, say, the coming decade. Difficult questions? We need more than a posse of professors. We need a search party.

Edited by Joseph S. Nye, Jr., Philip D. Zelizer and David C. King. Harvard University Press. Joe Rogaly@ft.com

The Grand Hotel is the ornate offspring of dictatorship. Like much in mainland China, in this case, the Forbidden City. It also suffers seriously from curly roof syndrome, the architectural affliction of modern buildings designed to look Chinese by giving them a traditional top – the effect suggests a culture not yet at ease with its past.

It seems somehow appropriate that the young man who led untold thousands of students to march for democracy on Tiananmen Square in 1989, just in front of the Forbidden City, should choose this venue for lunch. Or so I muse, sitting in the Yuan Yuan Teahouse, when Wu'er Kaixi announces himself with a broad smile.

Radical student leader no more, Wu'er Kaixi is plumper than during his protest days when he was, for a time, on a hunger-strike – the Chinese government said he was faking and broadcast footage of him allegedly tucking into a meal of many courses. The character assassination suggested that Beijing was worried that Wu'er had a moral stature lacking in a discredited Communist party.



Before Wu'er Kaixi went from leading thousands of students in Tiananmen Square via filling petrol pumps in California to exile in Taiwan

"This was the favourite restaurant of Madame Chiang Kai-shek," he explains. Madame Chiang, who commissioned the Grand Hotel's construction, and is now living outside New York. fled the mainland with her husband, Generalissimo Chiang Kai-shek, after the Nationalists lost the civil war in 1949. Politics, however, had little to do with Wu'er's choice of restaurant.

"Just very authentic, good Chinese food. At other places in Taiwan the food is often transformed into Taiwanese-style Chinese food. I guess it's the same as Chinese restaurants in America; they become Americanised."

At 29, Wu'er Kaixi has, by his own admission, matured since his student days. On the surface, at least, he appears to have mellowed as well. But the intensity, the confidence, the commitment and even the brazen cockiness of the 21-year-old who inspired a generation of Chinese and had the temerity to talk back to Chinese premier Li Peng are still very much in evidence.

He has mastered an elegant English from his years "wandering around", as he puts it, after fleeing China, and switching between languages – the words and ideas tumble out so quickly that he scarcely touches his food.

It is eight years since the massacre at Tiananmen Square. Wu'er has lived in three countries – France, America and Taiwan – gone to college, dropped out of a master's programme and married a Taiwanese woman. He began exile as a celebrity. No stranger to controversy, he later fell out with the Chinese dissident community amid squabbles over funds and power. When the honeymoon phase wore off, when the agents stopped calling, he ended up like a typical young American – waiting tables and pumping petrol to make ends meet. In the process, he says, he lost and then found himself – in Taiwan, of all places.

"How do you like Taiwan?" I ask. "I love Taiwan. Taiwan is culturally rich and the Chinese and western values combine very well. Taiwan is part of the western establishment, and its success is proof of the failure of Asian values – or at least it proves the success of the western value of



After eight years on, he is plumper, matured, but still angry

human rights: individuality, freedom, equality. The argument of Lee Kuan Yew [Singapore's former prime minister] is that Asian countries have their own values – we don't have to adopt western values to succeed. But that has been proved wrong on this island."

He explains that although he kept a low profile for a few years, he has remained active in the overseas Chinese dissident community. In Taiwan, he is setting up a non-partisan watchdog organisation to be called the Parliamentary Human Rights Council. Its members will be Taiwan law-makers, but it will be separate from the national legislature.

"With its acknowledged achievements in democratisation, Taiwan should stand up and speak out about human rights. Taiwan holds one of the best records in Asia, maybe even better than Japan." He flatters

Taiwan. Until a few years ago, the Chiang family ruled what was, in practice, a one-party state capable of severe repression.

What of the Taiwanese independence movement, which prompts the Chinese army, every now and again, to test its missiles not far from the island? "Taiwan holds very different values from China. That will make these two completely different societies hard to merge as one. What I would hope is that China starts to learn from Taiwan."

He dislikes the overlap of Taiwanese independence and nationalism. "I find it very hard to deal with nationalism of any kind – I think because I am Uighur [a Moslem minority from China's west]."

"People ask me about Tibet. I'm a very good friend of the Dalai Lama. We've had many substantial long talks and every time we talk

about this independence, he keeps trying to say 'I'm not really seeking independence'. I said: 'Hey, I don't care, Dalai Lama.' Whatever serves the need of individual liberties is what I'm going to support. If I had to vote on Tibet, it would be for independence. If I had to vote on Taiwan, it would be for reunification."

What has been the impact of the Tiananmen Square incident on China? "The biggest difference between before and after is that China now has a civil society. Before 1989, China didn't have a civil society. There were only rulers and the ruled. But today there is a civil society emerging which is independently going to exercise its 'will'. Their 'will' will be participating in politics; their 'will' will be protecting their rights."

What do you mean by "will"? "The stock market. Before the stock market existed in China, the only way for people to manage their money was to put it in a deposit account. Today, they decide to use the money in the savings account to make more money in the stock market. The stock market has that magic power that makes Chinese people concerned about the country's economic policy."

"Then they criticise it, and they wish they could make a difference. Another example is the book market. Today, people go to private bookstores much more than the government stores. In a market economy you have to follow the consumers."

"Another change – television. Before, there were four or five stations, all funded and tightly controlled by the government. After 1989, the ban on cable was lifted, and overnight there were hundreds of channels in China. The government could not fund them all. Without funding would censorship work? All these stations had to make money. In order to attract advertising, they had to make good programmes.

And to make good programmes, they have to remove censorship. All over China, there are thousands of TV stations and thousands of freedom fighters – the managers of the stations. "The concept has been established. With people's will, you will have a civil society," he says. "When Chinese people were able to make money, they made some money. What will be the next step? Simple – one, make more money; two, protect the money they have made in a lawful, guaranteed way. Third, to make money in a better environment with equal opportunities; and number four, effective, efficient government."

"When the government is not sufficiently effective because of the political structure – it's not democratically elected – that's where corruption comes in. If they can't choose their own people then they have to bribe the ones that exist."

"This proves that the people's will is working toward political rights. One thing Lee Kuan Yew and Jiang Zemin [the Chinese president] may never realise is that people have an instinct to pursue dignity. They [the government] think money will stop people's ambitions. But it won't. It's like totalitarianism – dictators never understand that people want dignity."

"I would say China has already purchased a one-way ticket and gotten on the road. It's picking up momentum. And once the will of the people is awakened, they will not sleep again. Not only are they not going to sleep again, they are getting more and more powerful."

He looks around us. "This is my dream, Taiwan is my dream. I wish all of China becomes like Taiwan."

He wants the Chinese to become masters of their own lives – a concept he calls "able" – *nenpli*, which loosely translates as capability. "That is one great feeling. I happen to have some

experience of this in 1989, when I felt the – power – of an individual to make a difference. That was a great feeling. Sweet. We have tasted it. We will not forget it. Most of the Chinese people have now tasted it in one aspect of their life. And that's very sweet. It's addictive. There is no way to tell them to forget about it."

Will you stay in Taiwan for a while? "Until I can go back to China. But I think China is where I belong. I want to make a difference. In Taiwan, the difference is already made. China is a virgin field. It will

be an excellent feeling."

It's not one he is likely to feel anytime soon. The Chinese government has tightened controls over returning dissidents, making it difficult even for those who have taken on US or Australian citizenship. The dream is that he and fellow activists form an opposition party in China, but to go back now would be to invite near certain imprisonment.

Do you ever feel guilty about your role in Tiananmen, about leading students who fatally misjudged the government mood? "Yes, I feel guilty all the time. Many

people were killed at Tiananmen Square. I believe every individual is a moral agent. Everyone can make their own decisions and those decisions should be respected."

"However, I cannot get rid of the idea that some people went to Tiananmen Square that night because they heard my speech. I am a moral agent, too, so my actions have affected other people's lives. This is a guilt I am going to carry for the rest of my life."

"I must make the dream of those who died because of my influence come true sooner."

The problem with the opposition movement was that it quickly split into more competing factions than the Chinese communist party. Students who had become international "stars" were suddenly confronted by the more humble discipline of classwork at US universities. But the years in the US have made Wu'er Kaixi less than idealistic about America as a model for China.

"Taiwan is a much better model than the US. Number one because it's Chinese, number two because the democracy is very young. We should learn about the US in the 18th century; maybe that is more relevant to the Chinese situation. But in Taiwan we are talking about 10 years ago. So Taiwan is the best."

The Chinese government, as it has done with the Dalai Lama, tends to use exile as a political death of a thousand cuts. Isolated from their constituency, from their homeland, opponents are left looking in from the outside.

"A few years ago I went to Luomazhou, on the Hong Kong border with China. I was looking at Shenzhen, then I got this feeling: first of all very homesick, of course, second – it's unreal. I'm talking about one metre away. I was right there."

"That feeling – then slowly it became anger. I'm fenced out simply because I'm doing something good. That makes me angry."

Our tea is cold and bitter because it has been steeping for too long. We call the waitress to ask for more hot water. There is enough of a bitter taste in Wu'er Kaixi's mouth already.

Sweet and sour feelings

Chinese dissident leader Wu'er Kaixi tells Laura Tyson why he is frustrated in Taiwan

Lunch with the FT

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PERSPECTIVES



Prince Charles with King Mswati III and the Swazi queen mother Indlovukati attending a festival during the prince's visit to Swaziland last week

A tale of two royals

Swaziland's king and Prince Charles have much in common, writes Mark Ashurst

King Mswati III of Swaziland is not a man to be rushed. When business in the verdant mountain kingdom was brought to a halt last year by an unprecedented general strike, two weeks passed before the 39-year-old monarch emerged from the royal kraal and sent his subjects back to work.

The delay - as trade unionists rightly calculated - was dictated by royal astronomers, who chose the early weeks of January for the annual *incwala*, a ceremony which renews Mswati's powers of kingship after a period of seclusion at the start of the year. While the king rested and workers protested against new labour laws, Swazi youths secured the country in search of *lusukwana*, the sacred shrubs of an acacia shrub used to build the royal byre.

Tradition dictates that *lusukwana* leaves will wither in the hands of any youth who has slept with a married woman or fathered a child. The routine business of politics resumes only after the byre has been built, the royal bedding burned and the king's spirits restored by the first fruits of the new season. Not even a mass stayaway will disrupt the ritual.

Prince Charles was briefed thoroughly on the *incwala*. Arriving in the former British protectorate for his first stop on last week's tour of

Southern Africa, the heir to the British throne was well acquainted with the Swazi constitution. As the foremost Windsor to advocate "modernisation" of the British monarchy, Swaziland was an apt setting to speak out on the role of a good king.

Britons, he told a state banquet at the Royal Sun hotel and gambling resort, were like Swazis. "We value tradition highly... but we recognise, albeit reluctantly sometimes, the need for considered change." The comment was the first in a string of ambiguous remarks that marked Charles's contribution to the great Royal Debate triggered anew by Princess Diana's death.

Critics of Africa's tiniest monarchy - one of three, the others are Lesotho and Morocco - would have preferred something more prescriptive. But in spite of the clamour from unionists and aspirant revolutionaries protesting against Swaziland's 30-year ban on political parties, Charles was meticulously obscure. "Tradition is a living thing," he said. "But, to be so, it has to be made contemporary in each generation."

Their kingdoms could hardly be more different, yet the two royals have much in common. Each wants to be remembered as a progressive monarch and a moderniser, but is wary of resistance to reforms from the senior ranks of palace and kraal. Although Mswati is known

in customary law as Ngwenyama, thunder, and represented on bank notes by a roaring lion, he is, like Charles, descended from a long line of pragmatists.

His ancestor, King Sobhuza I, set the precedent in the 18th century when he offered his two daughters in marriage to Shaka, the war-mongering Zulu king. His eye for a prudent compromise saved the Nguni tribes

but refuse his money. When independence was finally granted in 1967, his successor, Sobhuza II, suspended the Westminster constitution, recovered tracts of land from colonial farmers and ruled uninterrupted for 61 years until his death in 1982.

The peaceful legacy of the world's longest reigning monarch is especially remarkable given the civil wars, of varying intensity, that, until recently, beset Swaziland's neighbours. Sandwiched between South Africa and Mozambique, the country has never seen a political killing. The government's new internet web page proudly asserts that "Swaziland's greatest asset is her people, who are always happy".

But even the casual visitor can sense the first tremors of an identity crisis. Tourist brochures describe the mountainous terrain, "about the size of Wales or Hawaii", as the Switzerland of Africa; its "easy-going and often humorous personalities" have been dubbed the Latins of Africa.

For all its charm, the picture of a smiley, isolated kingdom is no longer true. man, who had first settled in Swaziland from the dusty plains of central Africa in 1600. But when the Zulu hegemony began to fragment, Sobhuza rose against his erstwhile allies to defeat Shaka's successor, Dingane, at Hlatikulu in 1856.

Colonial powers met a similar fate. In a dream shortly before his death, Sobhuza I is said to have foretold the coming of white settlers. Again, he urged diplomacy, instructing his people to befriend the white man, accept the bible he carried

South African capital, and relatively peaceful revolutions across both borders have prompted new calls for a more liberal constitution.

Mswati - who was schooled at Sberborne in the UK before becoming the world's youngest monarch, aged 18, in 1986 - has taken some bold steps in that direction. To date, he has married only six wives, well behind his father's lifetime tally of 80. Four years ago, he introduced the *Vusela*, a secret ballot for elections to parliament, and, later, a constitutional review - although progress has been slow.

Further reforms depend on Mswati's readiness to convince the Ndlovukazi, the queen mother and principal custodian of royal traditions, of the merits of change. Although the lion king symbolises strength and bravery, Swaziland is a matriarchy and the king must rule jointly with the queen mother, who is known in customary law as "the great she-elephant". Her character is "like running water, a symbol of softness and perpetuity".

As Swaziland edges closer to the outside world, her maternal duty to preserve royal traditions is becoming more difficult. Dining with the Ngunyama, the Ndlovukazi and two of Mswati's most beautiful wives at the Royal Sun last week, Prince Charles was quick to empathise.

Justifying why they had not previously published the information (lack of confirmation) rather than attempting to dig further into the case itself.

The problem is that the book gives them plenty of scope to do so. The authors seem unsure whether they wanted to write a novel about the life of investigative journalists - so full is it of their own involvement in the inquiry - or a serious analysis of the Yamm Piat affair.

If they are to be believed, there is a highly sophisticated fibre-optic phone-tapping operation beneath the Eiffel Tower; and they have made it common knowledge that pressing a four-digit code on public telephones allows you to discover the last number dialled by the previous occupant.

But they rely heavily on an unnamed "general" in military intelligence, quoting him at length (and, suspiciously, verbatim even when the tape recorder was turned off) without apparently making any attempt to verify the information he provides.

It appears that this source - who has implausibly impressive credentials (multilingual and heavily decorated by his early 20s) - was in fact an extreme right-wing manipulator who aimed to destabilise the political elite.

The authors also reproduce a letter from Fernand Saincencé, so full of words in capital letters and rambling logic that the suggestions that he was a "mythomane" seem, if anything, too tame. Reliance on such information undermines the rest of their strange tale.

The result is a work that has caused considerable embarrassment at *Le Canard Enchaîné*, which has carefully cultivated a reputation for controversy and accuracy in equal measure, and has tortuously attempted to support the articles it published while distancing itself from the book.

But while the book's authors increasingly appear to have been witting or unwitting parties to a lively fiction, they have done little service to the realities of what took place, and have considerably set back the image of fellow journalists.

The authors "at the risk of their lives" tell the tale of "the military intelligence services, unveil the methods of the secret agents who cover the country, highlight the wars of the police and show the gangrene of the Mafia and of shady politicians". It is a pity that they can't distinguish fact and fiction in the process.

■ *L'Affaire Yamm Piat*. André Rouget and Jean-Michel Verne. Flammarion. FF130.

The case of the vanishing Peugeot

Roula Khalaf finds herself the subject of some inept surveillance in Tunisia

I guess it was the baby that pushed me over the edge. It had been a difficult day - boring interviews, bad hotel food, testy waiters and nothing suitable as a present for my friend's baby. But when the taxi driver began echoing my instructions "yes, left, left" to an address that I hadn't told him, and when the white Peugeot was closing in behind, well, that did it. I was all trailed out.

You can tell a lot about a country by the quality of its trading. Tunisian operatives try very hard not to be noticed, they will deny they trail you, but that Saturday they were sloppy and unsubtle. Maybe the taxi driver wasn't on the payroll and the white Peugeot was on the way to a soccer match, but I don't think so. Too much had happened already.

On the first day of that week, I had a simple feeling of being followed. On the second day, a notebook disappeared from my room, only to reappear the next day, under a pile of documents, exactly where I had left it. In the meantime, I had convinced myself that I had left it in an embassy in Tunis, the country's capital. Over the next few days, someone tried - each day and with no success - to unlock a colleague's suitcase.

That's when the paranoia definitely kicked in. I could feel it in the increasing numbers of cigarettes I was smoking every day, and in the way the subject of trailing began to occupy discussions with colleagues. It was in our nervous giggles, the way we started to give nasty looks at waiters hovering nearby. When a waiter came in one day bringing three steaming cups of coffee and - for some bizarre reason - a bucketful of ice, we burst out laughing. But I found myself sticking a knife into the bucket to see what might have been stored inside.

By my last night at the Abu Nawas in Tunis, I, like my colleagues, placed a chair against my bedroom door to make sure I heard any intruder come in. My colleague with the digital suitcase was concerned that the exasperated security officers might make one last attempt to break in and search the suitcase. (They would have found, by the way, two ties, a photograph of two delightful children and a copy of *Under The Volcano*.)

Perhaps the paranoia was inspired by the realisation that many of the government and public sector officials we interviewed seemed to know our programme. Imagine my surprise when I arrived at a meeting and told the businessman I had personally contacted that I was ready for a little independent thinking about Tunisia only to hear him say that, yes, he had received a phone call and had prepared the information I needed.

I don't know if it was the air conditioning that wasn't working - or my frustration - but it felt extremely hot in his office. Perhaps the paranoia was well placed since the Tunisian police reserved their best performance for the last day. Two people from the opposition - legal but detested by the regime of President Zine al Abidine Ben Ali - phoned and suggested they stop by before I left.

Nothing strange about inviting them up to my room, except, perhaps, that it did not please security officers at the hotel. One ran after one of my visitors and knocked on my door to ask for her identity card.

"It is the procedure," he said, before he saw the door slammed in his face. At that moment, the paranoia turned into anger - or maybe it was panic. I had a plane to catch in two hours. I didn't have time for silly games. My suitcase wasn't even ready. Did I forget any documents?

I'm not exactly new to this sort of thing. But it's often either more direct or more subtle. There are places which give you minders, like Libya. Others which give you lazy minders who only call you up to check on your

plans but do not even bother to accompany you (I won't say where or they'll stop this convenient practice). In Iraq last year, a minder was imposed on me - and I was politely asked to pay a steep \$40 a day for the service. In Algeria, reporters are given protection - no less than three security officers who follow you in a separate car. It wastes quite a bit of time, since I seem to expend a lot of energy trying to be "unprotected".

Tunisia is different. It is officially open, democratic and very keen to promote human rights - never mind that Amnesty International and other human rights groups have for years been denouncing widespread abuses. Minders, therefore, are definitely not on the agenda.

It seemed ironic to find myself walking past Human Rights square, in the com-

pany of a human rights lawyer and, on turning on to the Rue de Liberté (freedom), discovering three young men were awkwardly following us in the distance and disappearing into coffee shops or hiding behind street corners every time we turned our heads. We lost them simply by hopping on a bus.

If I was determined to be left alone for the evening, it was not only because I was with people from the opposition but also because I knew that an excellent fish couscous was waiting for me at the end of it, and I like to eat my couscous in peace.

The aim of the trailing in Tunisia appears to be clear: to deter reporters from meeting opposition figures - most of them intellectuals who dare to speak (in private) about politics and, obviously, criticise the regime. They, of course, are masters of paranoia - it is a kind of occupation for them.

But the government, say foreigners who have lived there for a while, is "allergic to bad news" and does not like anyone inside or outside the country to hear anything but rosy forecasts. Press freedom is so lacking in Tunisia - even by the standards of the Arab world - that the Tunisian newspaper association was expelled from the World Association of Newspapers this year for failure to oppose repression of press freedom.

This is not to say that information does not circulate in Tunisia. It is just that instead of a press, Tunisia has tracts denouncing the regime. Instead of information, it has rumours, most of them telling nasty tales about the regime. All this, of course, gives people something to talk about, and it makes them nervous.

But let's go back to the baby and the white Peugeot. On my way back to the hotel, the Peugeot was there, behind my taxi. When we arrived at the hotel, I thought I had seen it follow and park far from the entrance. I raced out of the taxi and ran in the Peugeot's direction. The hotel staff were agitated. They ran after me. Something strange happened then: The Peugeot had vanished.

caused considerable embarrassment at *Le Canard Enchaîné*, which has carefully cultivated a reputation for controversy and accuracy in equal measure, and has tortuously attempted to support the articles it published while distancing itself from the book.

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■ *L'Affaire Yamm Piat*. André Rouget and Jean-Michel Verne. Flammarion. FF130.

A journalist who made a speciality of outlandish stories linking arms, drugs and the intelligence services once winked mischievously at me when I questioned the truth of one of his articles. "It's all right," he said. "The key people I attack in the piece are dead, so no one will sue. And the secret service never reacts."

The remarks came back to me when reading France's latest publishing sensation: a book on the murder of an outspoken female right-wing politician in 1994, which sold 60,000 copies in the few days it was in circulation before being withdrawn on the orders of a Paris court.

L'Affaire Yamm Piat says at least as much about France's journalists, the country's awkward relationship with the media and an enthusiastic national publishing industry as it does about political manipulation, corruption and apparent judicial incompetence.

Since Yamm Piat was shot on a country road more than three years ago, there has been a new

bout of concern about the shady practices that take place in the southern province of Var - a region condemned at least since 1982 when the novelist Graham Greene wrote *J'accuse* about the local goings-on.

The story is made all the more intriguing by the fact that Yamm Piat, a vocal critic of political corruption, was once a member of the extreme right-wing National Front but was expelled after criticising a particularly repulsive anti-semitic remark by the party's leader, Jean-Marie Le Pen.

Yamm Piat's death seemed to spark several subsequent fatalities in the following months, including those of the two Saincencé brothers who had links with her and who were judged to have committed suicide when their bodies were found in their car. The verdict ignored the

fact that they were apparently held in place by seatbelts, that a tube leading from the exhaust pipe contained no fumes, that the garage door was blocked on the outside by a car parked against it, that there were signs of blood on one shirt and that a bottle of ether lay nearby.

But no one has seemed able to get to the bottom of the mystery, certainly not the judges assigned to the cases, who failed to undertake exhaustive examinations and permitted the destruction of evidence and bodies - thus conveniently eliminating the possibility of any second opinions.

In a country which adores conspiracy theories, *Le Canard Enchaîné*, the weekly satirical and investigative magazine, seemed to have stronger leads than most, publishing several articles last year hinting that the

deaths were all linked, and had connections with senior right-wing politicians.

The backlash came only recently when André Rouget, a *Canard* journalist, wrote a book on the subject together with a freelance reporter in the region. While they only used the code names "squid" and "scoter", former ministers François Léotard and Jean-Claude Gaudin recognised themselves in the descriptions and launched legal actions.

This being literary France, Léotard has already published his own reply, full of indignation and demands for a fresh judicial inquiry.

His reaction has offered the French press an excuse to give extensive coverage to the book, airing rumours that had long been circulating in Paris. But many journalists decided to concentrate on self-righteously



Shady dealing in southern France

A modern mystery has stirred up memories of Graham Greene's *J'accuse*, writes Andrew Jack

Men of print and politics

Lord Deedes and Lord Hattersley have much in common. True, there is a difference in age. While Deedes was earning an MC in the second world war, Hattersley was still at school. Yet there comes a stage when age does not matter so much. You have been through many of the same experiences. You remember them, even if you weren't there.

Deedes and Hattersley were both members of the cabinet Deedes under Harold Macmillan as minister for information in the early 1960s, and Hattersley with responsibility for prices and consumer protection under James Callaghan in the late

Thatcher. Two items stand out. The first is his admission that as Macmillan's minister of information, Deedes made a complete hash of the Profumo affair. In his own words, he thought it was a "bloody nuisance". He knew Profumo well: they had been at prep and public schools together. "If I had been doing my job properly," Deedes writes, "I would have made it my business to acquire as well as to impart sensitive intelligence."

The second item is his curious lack of interest in the management and finances of the Daily Telegraph under his editorship. The paper very nearly went bust when he was sitting in the editor's chair and was bought for a song by Conrad Black. Deedes puts this down to his wartime experience and trust in superior commanders like Lord Hawtwell, the proprietor, which sounds a bit like The Charge of the Light Brigade.

Hattersley's book is more thoughtful, less anecdotal. He is unfair to himself, or perhaps narcissistically flattering, in calling it a "prejudiced" history of Britain since the war. There is not a huge amount of prejudice about it. Hattersley sticks to the post-war ideals of consensus, the welfare state and a conscious effort at a redistribution of wealth towards the poorest. He would say that it is not he that has changed, but the Labour Party, in seeking to copy Margaret Thatcher. Meanwhile he can take some credit, along with Neil Kinnock, for helping to stand up to the Militant left.

Some of the foreign affairs sections are slightly weak. (Hattersley never really liked his brief spell as a junior minister at the Foreign Office). He misunderstands the lasting consequence of Suez, which was that while France advanced into Europe, Britain raced back to repair relations with the US. But he offers some relatively little-known information on the European credentials of the late John Smith, who would have taken Britain into the exchange rate mechanism though only after a substantial devaluation of sterling. Hattersley himself is now one of the foremost Europeans in the country and one looks forward to any role he might play in a referendum.

Malcolm Rutherford

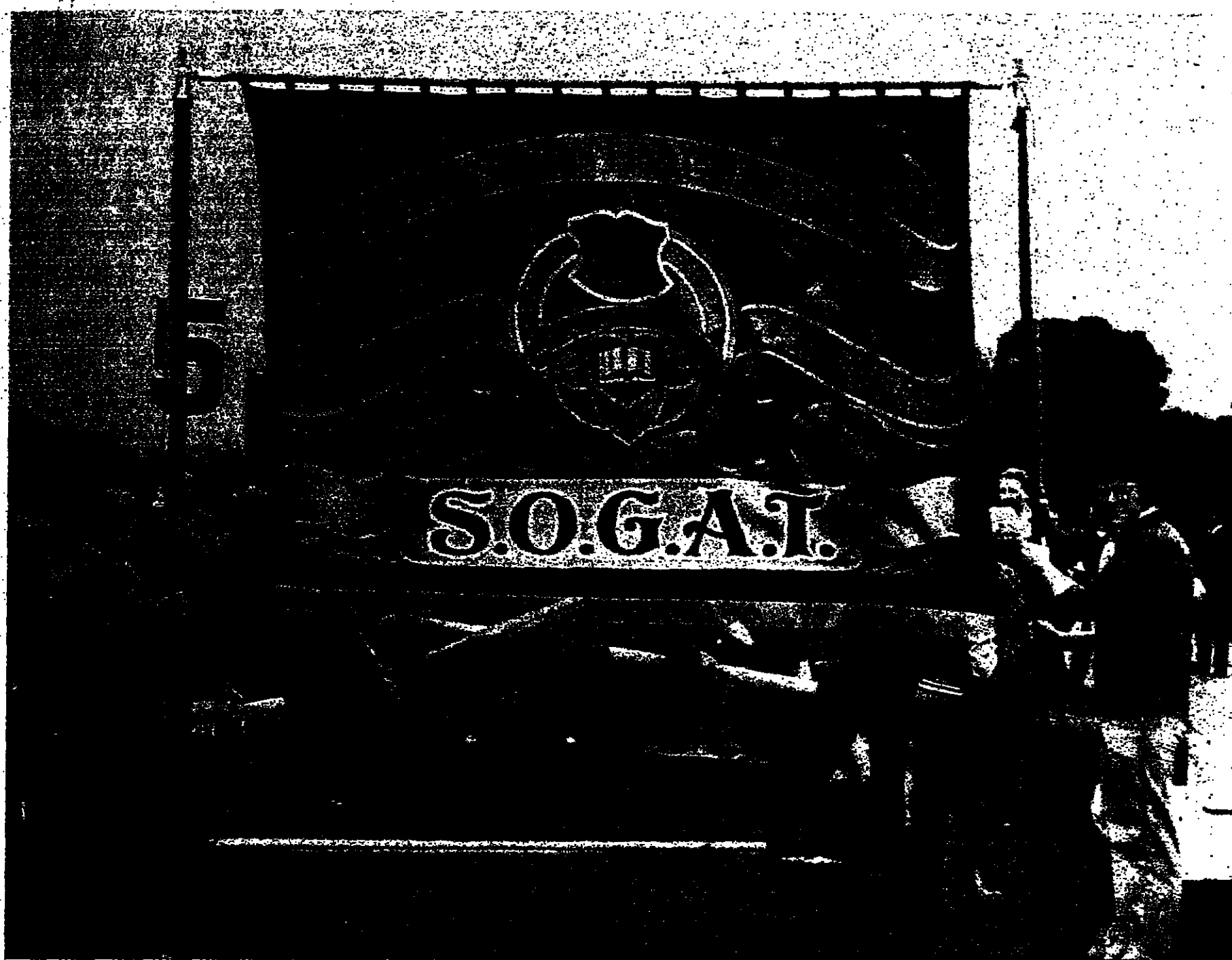
DEAR BILL - W.F. DEEDES REPORTS
by W.F. Deedes
Macmillan £20, 413 pages

FIFTY YEARS ON - A PREJUDICED HISTORY OF BRITAIN SINCE THE WAR
by Roy Hattersley
Little, Brown £20, 404 pages

1970s. Although from completely different starting points, both have moved steadily to the left over time.

Deedes used to be in favour of capital punishment. He travelled a great deal, but without being unduly struck by the poverty he saw. Now there is scarcely an international aid movement that would exclude him. Hattersley was generally regarded as being on the right wing of the Labour Party. Today he appears on the left, still sticking up for the redistribution policies which he thought Labour represented. With age and experience, both in their way have become liberal internationalists.

They have another commonality: they are among the most prolific journalists of our time. It is hard to go more than a day or two without coming across one or both of them, either in the print or on the air. And they do it very well, though Deedes is more the journalist and gossip columnist - his spiritual home is Peterborough, the Daily Telegraph's diary column where he spent so much of his time - and Hattersley more the thinker. He has written about literature in a way that Deedes never could. Deedes declined to admit that he had ever even contemplated writing his memoirs. They have now appeared as *Dear Bill*, a reference to the spoof *Private Eye* diary where Deedes was the golfing and drinking companion of Denis



They kept the red flag flying there: members of a newspaper print union attend a rally. Photograph from the National Museum of Labour History

Death of the people's press

Michael Foot recalls the heyday of the Labour-backed Daily Herald and mourns its demise

The political parties should not try to run newspapers: they always make a botch of it. Witness the fate of the Daily Herald, born brightly as Labour's own before the first world war, but dead and buried in the 1960s, with only a handful of mourners assembled at the graveside. I was one of that company, having devoted the best 20 years of my journalistic life to my share in the fiasco. I expected to read with some pain a recital of that familiar theme, but not a bit of it. Huw Richards has a much subtler and more instructive tale to tell.

For a start, the Herald achieved several reincarnations, and only in the last period was the Party control so strong to be suffocating. The Herald in its first two periods, one before the 1914 war, and the other in the tumultuous years just afterwards, showed genuine signs of journalistic genius. The aim was to tell the world's newly-discovered working-class leadership how the rising Labour Party offered the promise of a new world.

George Lansbury was the man who did more than anyone else to make those early Heralds flourish, although he would be the last to

claim that it was in any sense a one-man show. He had already won fame in other political fields, but the inspiration he brought to journalism was something all his own. He could never get enough money to do the job properly, although at one stage in the later periods he had the assistance of an up-and-coming figure in the trade union movement, Ernest Bevin, who was no less eager that the working class should find its own voice.

As so often in 20th-century journalism, it was the cartoonists who set the pace. The Herald's Will Dyson was the greatest of the 20th-century cartoonists before David Low and Vicki. Cartoonists can cause more trouble in highly sensitive head offices than any other breed of journalists, but it was Lansbury who had the equity to give Will Dyson his head. A reproduction of one of Dyson's cartoons, I'm told, was recently banned from Tony Blair's office.

However, it is not the case that political control always held good journalism in check. The moment when the Herald circulation hopes looked especially bright were just after the 1923 election when the Party made the best ever leap forward at the polls, and the excitement at the Labour Party headquarters seemed as fresh and exhilarating for mankind at large as on May Day, 1997.

The fortunes of the newspapers seldom stand still; for a variety of reasons they go up and down. The Herald editor always had to serve two masters, the political and the financial one. This is the reason for the author's title, *The Bloody Circus*. If Herald editors discovered

they could not ride the two horses, they should never have taken on the job. All of the six Herald editors I worked under were fully qualified for the task. Indeed, the very first, Percy Cudlipp, who held the job for 10 testing years, had every qualification for success, being capable of performing each task in the office, from sub-editing any section of the paper to contriving a late-night leading article which would tackle the latest row in the Labour Party. All through

the war years he produced a most commendably honest newspaper, and the Herald which hailed the 1945 Labour victory had a firm circulation which could have been, and should have been, enough to enable it to prepare the way for the later Labour victories of the 1950s or the 1990s.

If Percy Cudlipp, with his own cool temper, had been left to deal with the later challenges, the subsequent disaster might have been avoided. Indeed, it was not the fault of the editors who succeeded him, each of whom had other qualities of his own. It was the failure in the paper's financial direction which caused most of the trouble or, rather, there were two other developments in the newspaper business which planted the most serious strains of defeatism in the Herald's offices, not so much among the journalists or politicians but among the supposed financial experts.

One development, recognised in Huw Richards' book, was the appearance on the scene of the new Daily Mirror, first designed by Guy Bartholomew and later carried to the heights by Percy Cudlipp's brother Hugh. No other newspaper adapted itself so well to the

requirements of the war itself and then to the epoch making peace and its aftermath. Language itself was recruited for the purpose: thus in good, plain downright English the English people did speak to one another. The Mirror set the pace, and the tone, and the Herald could hardly keep up.

Our author recognises the Hugh Cudlipp phenomenon. He is not quite so observant about the other players on the field. But the war itself, and the 20-odd years afterwards, were the period when Beaverbrook's Express was setting the pace and winning most of the races. He did not have Cudlipp's advantage of kinship with the leftward post-war political awakening, but the absence of it made his achievement all the more remarkable. Like the Mirror, he insisted on language the readers could understand. He paid the best wages and produced and recruited the best contributors. No need for him to struggle between two horses; he was the super-editor who would keep all forms of business intruders in their place. All of us in Endell Street, where the Herald was housed, marked Beaverbrook's performance. It was the proper way to run a newspaper.

THE BLOODY CIRCUS:
THE DAILY HERALD
AND THE LEFT
by Huw Richards
Penguin £13.99, 256 pages

Autobiographies by writers are relatively rare. Elias Canetti's *The Play of the Eyes* and *The Torch in My Ear* are less pure autobiography than naked self-aggrandisement. Newman and J.S. Mill are distinguished practitioners of autobiography but their cultural identities depend on religion and philosophy rather than pure writing. The autobiography of Bertrand Russell is the work of a philosopher, in which the writing is admirably clear and sometimes incriminating instrument of exposition, but nothing more. The great literary autobiographies are Gosses's *Father and Son*, Nabokov's *Invitation to a Beheading*, and Woolf's *The Waves*. In relation to the scale and stature of these masterpieces, *Hand to Mouth* is barely homeopathic.

It is also poisoned with cliché. "The details escape me now," without reshaping the whole complicated business. "I can remember what his voice sounded like, but very little of what he said" - these are true but dispiriting observations. Add to local but widespread amnesia a predisposition to autobiographical continence and you create the distance one finds in Cole-ridge's *Biography Literaria*, part prose, part intellectual snow-job. We learn little about Paul Auster's private life. He had a wife and her name was Lydia Davis. They were divorced. They had a son and his name is Daniel. *Hand to Mouth* confines itself strictly

Left to paddle his own canoe

The problem with this autobiography is not the subject. It's the cliché, writes Craig Raine

aesthetically and fatally to the subject of money. It observes its own unity. But the real problem is not the subject. The problem is the cliché. Though Auster initially believed that he was "a favourite of the gods", he was prepared "to walk a long, hard road for the rest of his days" in order to be a writer. The idea of having a job "left him cold". Being a graduate student was "a fate worse than death". He had "itchy feet". His parents valued money differently, but Auster developed "a whole new way of looking at things": "it's a jungle out there", he thought, and became disgusted "by the outward trappings of wealth". His parents finally divorced over money - "it stands in my mind as the thing that finally knocked the stuffing out of both of them" - and Auster feels "the slate has been wiped clean". He enrolls at Columbia, goes to Paris for a year, but immediately "locks horns" with his academic director. He quits school, "taking the plunge with his eyes wide open". In Paris, he puts off

"the hour of reckoning". Detained to "paddle his own canoe", he quickly finds himself "clutching at straws". Once free of academe, Auster dedicates himself to art and is resolute in "sticking to his guns". He fears the

HAND TO MOUTH: A CHRONICLE OF EARLY FAILURE
by Paul Auster
Faber £13.99, 436 pages

draft but has the luck of the draw and "saves his skin". After a spell in the Merchant Fleet, he has trouble "keeping his head above water", even though he accepts freelance work "till he is blue in the face". By chance, he gets employment fixing movie scripts and this leads to a job as amanuensis to a "larger-than-life" woman whose talents are dissipated by "a desire to kill too many birds with a single stone". Fortunately, Auster gets a \$5,000 grant from the Ingram Merrill Foundation, temporary literary salvation arranged by John Bernard Myers, a benefactor who "wore his heart on his sleeve". Where else?

Pretty soon, though, Auster's back is "back against the wall" and his remedy is to try to market a baseball game played with cards. The game is reproduced in an appendix. All this is merely postponing "the hour of doom". He writes a detective novel, *Squash Play*, also with baseball connections, also reproduced in an appendix. The plot turns on an apparent murder which is actually a suicide (shades of Martin Amis's *Night Train*). The book flops. And there the memoir ends.

What changed things? *Laurel and Hardy Go to Heaven*, a failed play also reproduced in an appendix, explains a good deal of Auster's subsequent success, as does *Blackouts*, another failed play, also meticulously preserved. *Blackouts* is the basis for *Ghosts*, the second novella in *The New York Trilogy* - the work that finally launched Auster as a serious and popular writer. *Laurel and Hardy Go to Heaven* is an abject xerox of *Waiting for Godot*; the comedians have to construct a wall in the after-life, according to detailed, absurd and arbitrary instructions. The whey-faced vaudevil-

lians indulge in cross-talk over a metaphysical abyss. Auster's play is patetically wannabe. The trouble with his hero worship of Beckett is that Auster misses Beckett's hostility to his audience and to his art. *Hand to Mouth* is predicated on the absolute value of art and the relative worthlessness of money. But Beckett's oeuvre is founded on the utility of art. *Waiting for Godot* is a sustained act of theatrical aggression directed at the audience. As a fan, Auster is blind to the insult and therefore doesn't reproduce it.

Ghosts conflates the thriller's implicit promise of action with the epic eventfulness of the writer's sedentary trade. Nothing much happens. The novella's subject is the writer's need for an audience. A writer hires a detective to watch him. Nothing could be further from the spirit of Beckett, who would gladly dispense with art, let alone an audience. The denouement of *Ghosts* is that the detective eventually attacks and probably murders the writer. In other words, Auster gives us an intelligible parable which argues that the writer has to create his own audience, but that the audience may savage its creator.

In Beckett, the opposite is always the case: the author gets in his retaliation first. Might this not be the key to Auster's acclaim? - the comfy familiarity, the greater intelligibility, the determination to succeed with an audience where Beckett was suicidally determined to fail. Beckett is cure. Auster has charm.

Help at hand for the modern Ms

Maybe I'm macabre, but it was when I unearthed the chapter of *Women Unlimited* devoted to Death, that I realised why I need this book. What should you do if someone dies, and you're their next of kin? Flick through the Yellow Pages until you find a local undertaker, like a bereaved character in *Crocker*, I suppose. But as for how you would go about registering the death, arranging for various organs to be recycled for science, and which documents you

are legally obliged to return to the relevant government department: well, don't ask me, your honour. A glance at pages 332 to 334 of *Women Unlimited* (Penguin £9.99, 350 pages) provides most of the answers to those particular problems, while the rest of the book does out advice on every-

thing - from buying a new computer and tips for unblocking toilets to looking 10 pounds slimmer by dressing differently and the libidinous possibilities of honey - in the same breezily practical manner. The authors - a quintet composed of graphic designer Suzi Godson, film financier Amanda Burgess, internet specialist Marysia Woronicka, and architects Melanie Agace and Charlotte Skene Catling - say they decided to compile a compendium of "simple, accessible facts and guidelines on everyday issues" after being confronted by "another intimidating garage bill".

The subtitle to *Women Unlimited* is a *A DIY Survival Guide For Life In The Twenty-First Century*, and its writers have been at pains to embellish the traditional stuff of DIY guides, like telling security-conscious home-owners the difference between mortice and rim locks, with contemporary dilemmas, such as how to spot tell-tale signs of drug abuse in a friend.

Women Unlimited trots through these and any other difficulties the modern Ms might encounter in chapters on Work, Technology, Money, Cars, Law, Politics, Sex & Drugs, Relationships, Health, Beauty, Home, Babies, Family and Death,

illustrated by cartoon sketches of *soignée* Spice Girl clones.

None of the chapters is exhaustive on its chosen subject, and it is hard to imagine that anyone seriously considering anything as important as having a baby, or mounting a civil law suit, would rely on such a general guide as the sole source of information. But with *Women Unlimited* on their (tightly screwed-on) bookshelves, they would, at least, know where to start.

Alice Rawsthorn

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BOOKS

Shameless technicolour excess

This ham-fisted obsession with taboo-breaking exhausts the reader, argues Joan Smith

Amy Homes is an American writer whose early work, two novels and a collection of short stories, is almost completely unknown in Britain. Yet her new novel, *The End of Alice*, has caused a public outcry, with the NSPCC calling for a boycott and one retailer, W H Smith, agreeing not to stock it. Its subject, paedophilia, has sparked anguished debates about the responsibility of the novelist, about whether books encourage copycat crimes and whether it is ever right to ban them.

This response was anticipated by the novel's British publisher, Anchor Books, which sent out advance copies and letters a few weeks ago to selected writers and critics, myself included, drawing attention to the forthcoming controversy - people, presumably, who were unlikely to have a knee-jerk reaction to its plot and characters.

These include a narrator who has been in prison for 23 years for the frenzied murder of a 12-year-old girl with whom he was having a sexual relationship, and a young woman who writes

him heated letters about her intention to seduce a 12-year-old boy.

This is strong stuff and what the publisher's letter did, in effect, was create a context in which the focus of critical attention was always more likely to be the book's right to exist, and a revival of the old debate about censorship, than its merits as a novel.

As a publishing strategy, it succeeded dramatically; Amy Homes escaped the confines of the literary pages, where her novel's shortcomings would almost certainly have been detected, and was invited to appear on Radio 4's *Today* programme, which is hardly renowned for its interest in contemporary American fiction. At the same time, feature writers queued up to interview her, giving her the opportunity to insist that "all this furor

tells me I've got it right" about paedophilia.

Comforting as this may be to Homes herself, it is nevertheless a non-sequitur. There are half a dozen reasons why people might be upset by *The End of Alice*, from its relentless unpleasantness - it is one of those novels in which almost every sexual act is coercive and violent - to its puerile attempt to make the reader complicit in the narrator's sexual fantasies. "I am fully aware of what you've been doing while you've been reading this - these are my pages you're staining with your spunky splash," he insists, an assertion which is not only demonstrably wrong as far as most readers are concerned but an example of Homes trying to have it both ways.

Her paedophiles are just like the rest of us, so the male narrator claims, different only in their

propensity to admit and act upon the darkest sexual urges - a rather heavy-handed expression of the theory, more convincingly argued in other texts, that sex offenders do not stand wholly apart from the culture which produces them. At the same time

THE END OF ALICE
by Amy Homes

Anchor Books £6.99, 271 pages

Homes retains the right to claim that the novel is merely a paedophile's fantasy - one of those postmodern paradoxes which allows an author to say almost anything in print, simultaneously insisting on its veracity and being in a position to disavow it under fire.

None of this is an argument in favour of banning *The End of Alice* - I am in no doubt that even bad books have the right to

exist - but it is an illustration of the absurdity of treating it as a serious contribution to the debate about paedophilia. One sentence alone is enough to reveal the book as derivative: when the narrator remarks that "what you should know is that in this rare case, it was she who took me", we are clearly in Nabokov territory, hearing echoes of Lolita's seduction of Humbert Humbert.

In that sense, the novel does not attempt much beyond a modish updating of Lolita, providing the male abuser with an unexpected female interlocutor - a gender switch which occasionally recalls the confrontation between Hannibal Lecter and Clarice Starling in *The Silence of the Lambs* - and stirring in a large dollop of violence to suit jaded, late-20th-century palates.

Much of the impact of Lolita

comes from the disturbing impression it conveys of a lack of ironic distance between the author, Nabokov, and his character Humbert - a polite way of suggesting that Nabokov knew what he was writing about. *The End of Alice*, by contrast, presents not so much the thoughts of a child abuser as the devices of a novelist who does not realise how far she is out of her depth. Homes has a taste for bizarre detail, revealed in long passages such as the one in which a 19-year-old girl eats the scab which has just formed on the knee of the boy she intends to seduce: "He shudders. She is eating him. He's never seen anything like it".

The reader shudders, too, not in horror but at this ham-fisted attempt to introduce cannibalism into the text; apparently the one thing Homes cannot countenance is that the everyday lives

of paedophiles might actually be rather ordinary, instead of consisting of a series of symbolic moments. In that respect, her book resembles *The Kiss*, Kathryn Harrison's autobiographical account of her affair with her father, in which every small action or remark is invested with epiphanic significance.

The similarities go beyond a coincidence of theme. Harrison and Homes both have links with the creative writing courses, the former as a graduate in the Mid-West, the latter as a teacher on a writing programme at Columbia University. A recognisable species of prose has begun to emerge from these courses, whether the author is writing fiction or autobiography; its features are an obsession with the breaking of taboo, and the notion that character can best be established through a series of fresh recollections and occurrences. *The End of Alice* displays both these traits, constantly straining for significance and ending in a bloodbath which exhausts the reader with its shameless technicolour excess.

The first people's princess

Antonia Fraser finds many similarities in the short lives of two young royals

Universal was the mourning, throughout all the United Kingdoms, and all our provincial towns and cities deplored the untimely blighting of England's most brilliant hope... Dejection was painted on every countenance, nor is it a false assertion to say, that almost every eye was wet with tears; and every public sign of woe that could be made was done... everyone appeared as if a dreadful misfortune [was] attached to his own family...

No, these descriptions do not

ROYAL MOURNING AND REGENCY CULTURE: ELEGIES AND MEMORIALS OF PRINCESS CHARLOTTE by Stephen C. Berend

Macmillan £35, 256 pages

come from a United Kingdom recently devastated by the death of Diana, Princess of Wales, but from one lamenting the tragic death of another Princess 170 years earlier: Charlotte, daughter of the Prince Regent, Stephen C. Berend, author of *Royal Mourning and Regency Culture: Elegies and Memorials of Princess Charlotte* is. George Holmes Distinguished Professor of English at the University of Nebraska. I do not know where he was on August 31, 1857, but I cannot help thinking that the death of Diana Princess of Wales must have filled him not only with the general sadness but also with a startling sense of déjà vu.

The similarities are indeed quite eerie, although Berend is presumably writing at least a year before the recent tragedy. Both women were young by the standards of their time - Charlotte being 21 at the time of her death in 1817. Both deaths were in a sense accidental. Princess Charlotte died in childbirth, after delivering a stillborn son, and although Diana's

successful motherhood might seem to put her in a different category, one might plausibly argue that the car crash is the late-20th century equivalent of early-19th century maternal mortality: unexpected, horrifying, and striking all too often at the young.

In both cases, the royal family was held in low public esteem at the time of the princess's death - in contrast to the princess herself. The rose is also a common theme. One thinks of Elton John's line "England's rose" as one gazes at a fascinating illustration of 1817 by P.W. Tompkins entitled "The Royal Rose" in which Princess Charlotte's youthful face peers out of the heart of the flower. In another memorial print, the accompanying text consisted of an acrostic of Charlotte's initials, beginning:

"Charmers, farewell, since thou must go, / Heaven sent thee but a while to cheer / A Nation's gloom, a Nation's woe / Restoring Royal Virtue here..."

The implication is clear: without Princess Charlotte, Royal Virtue will be in short supply. The radical or even republican use of Princess Charlotte's image after her death provides yet another parallel. Regency commentators used Princess Charlotte's demise to ride their own hobby-horses. The poet Laureate Robert Southey was quite honest about his intentions in a letter to a friend as he planned to write a general critique of society: "An obvious objection to this is, that I make use of an event which ought to be my subject, merely as an introduction to something else. Perhaps this may be handsomely obviated by frequently referring to it [the Princess's death] and bringing it again prominently forward at the end." Many articles following Princess Diana's death seem to have been planned along these principles. It is, however, in his consideration of the personal grief of the public in the autumn of 1857 that Berend provides, unconsciously,



'Charmers, farewell...' Princess Charlotte, daughter of the Prince Regent, who died in childbirth in 1817. Mary Evans Picture Library

the strongest parallel with our own experience. When Berend refers to "the deeply held proprietary sense among the people generally regarding the princess [Charlotte]", he is touching on something which is clearly universal where popular young royals are concerned.

It is only fair to the future chroniclers of the life of Diana Princess of Wales - who would benefit enormously from this diligently-researched book in terms of historical perspective - to point out at least one difference. The common theme of a royal death may remain the same, with commemorative pottery a shared theme. But

Princess Charlotte (and her still-born son) did not get a public funeral, on the contrary, according to the then royal usage, the obsequies for the mother were held in St George's Chapel, Windsor at two o'clock in the morning, the baby being buried first without any ceremony at all.

It is in fact St George's Chapel which contains the marvellous white marble group commemorating Princess Charlotte, by Matthew Wyatt, son of James Wyatt. Veiled mourning unveil before a similarly shrouded corpse, while a resurrected figure is about to take flight, escorted by angels. But here

we return to the expressions of public discontent in common to both tragedies. An enormous public subscription was raised for this commemoration only to have the statue placed in a chapel which was not in the public domain.

The Literary Chronicle and Weekly Review wrote that "the public will hear with amazement" that the monument, to which so many had given money, would be secluded from view. "The monument is not private property, which an individual, be his station ever so high, can do what he pleases with." Perhaps there is a lesson here.

quoted Eliot, Auden, Dylan Thomas, Bejerman and Larkin until the recent rise of performance and poetry in the media that has brought poets like Wendy Cope and Carol Ann Duffy into the public eye. From the 1960s and '70s, Roger McGough is the lone rider.

About 2,000 poetry books are published annually in the UK, magazines such as Poetry Review receive tens of thousands of poems a year. Poems are ten a penny. But what the poets, and Ted Hughes's new direction, are telling us is that real poems are very rare events and should be cherished.

But the 20th century as a whole is replete with memorable poetry - it has actually been a great age of poetry, comparable to the 17th. So with Hughes's new emphasis on memory (which is endorsed by such prophets of 20th-century high seriousness as George Steiner and Walter Benjamin, who believe in the civilising influence of ingesting the language, cadences and sentiments of great poetry and prose passages), a prospect of reclaiming the 20th century's poetry opens out. But we'll have to be quick. A new century, with a new set of imperatives, is knocking on the door.

Peter Forbes

Battle of the chips

While reading Tim Jackson's *Inside Intel*, Andy Grove and the Rise of the World's Most Powerful Chip Company, I was reminded of the story of the blind men and the elephant, in which each man describes the object he thinks he is touching in a different way. Jackson approaches his subject through the eyes and experiences of the people he interviewed - mostly former employees and some competitors. Andy Grove, portrayed as a paranoid, take-no-prisoners, iron-guiding-hand at Intel, did not meet the author. Gordon Moore, legendary co-founder of Intel and creator of "Moore's Law," gave him a brief telephone interview.

Reconstructing history is a difficult task, particularly when the eye-witnesses have highly emotional and personal axes to grind. Each person interviewed had experiences - many, as it turns out, not very pleasant - leaving the reader with the impression that this high-flying, high-tech enterprise won, and continues to hold, its position through tyrannical, ruthless management, aggressive litigation tactics and a military-style security force. In the author's words, "...the attempt here is to give a view of life inside Andy Grove's Intel - and to identify some of the features that have made Intel one of the most extraordinary and most ruthlessly successful businesses in history."

Most company executives fear this sort of investigative story-telling. Rightly or wrongly, they believe that the tales of disgruntled former employees and the focus on periodic aberrations of behaviour will get all the writer's attention, rather than the mundane, day-to-day processes that the executives believe made their company successful.

Whether Jackson would have written the book any differently had he succeeded in talking to Grove is a matter of conjecture. What the reader gets is a glimpse of the very things executives and PR people fear about such books: vignettes and anecdotes depicting the worst of the company's wars.

The line between truth and fiction is thin, and we are all too willing to accept the novelisation of highly visible companies as the inside true story. The author came to Silicon Valley and set up shop for one month, interviewing some 90 people, mostly former employees. Thus in the span of 30 days, the *raison d'être* for Intel's success and 30 years of history are defined.

After an excellent introduction to the history of Intel and its founders, the book narrates a cloak-and-dagger-like narrative, largely providing snap-shots of several culture-defining episodes in the development of the company. One such event is the competitive and legal battles between AMD and its flamboyant founder, Jerry Sanders, and Intel and Andy Grove. The second theme discusses the apparently harsh treatment of various Intel employees. The third theme is related to the tough tactics used by Intel's security force and lawyers to protect the company's intellectual property.

The book has all the elements of the successful novel - power battles among industry titans, excessive wealth, ruthless manage-

ment and even sex. It will be read because it is the first of its kind on Intel. But it will not give the reader a proper perspective on Intel or its iron-willed chief executive, Andy Grove. What is missing is the story of Intel's, and Grove's, learning process.

Intel, today, is not the company it was in 1975; and Andy Grove is, similarly, a different manager. While the stories are interesting, the author gives scant attention to the role played by IBM in Intel's successful domination of the personal computer industry. Jackson writes, "one of the good things that came to Intel from Operation CRUSH was a design win at IBM." But IBM was not simply another design win. It was the design win - a defining moment for Intel. That win secured Intel's position with the standard central processing unit architecture for all IBM compatible personal computers.

The author instead tells us that it was Compaq Computer that gave Intel its impetus in the pc marketplace. Compaq operated in the draft of IBM. Not only

INSIDE INTEL, ANDY GROVE AND THE RISE OF THE WORLD'S MOST POWERFUL CHIP COMPANY by Tim Jackson

HarperCollins £19.99, 352 pages

did IBM give Intel (and Microsoft the big chance to become the industry standard for PCs, but Big Blue also bailed Intel out with cash and technical assistance when it ran into market and financial troubles after it stopped making memories.

The author also focuses on the wrong competitor. Advanced Micro Devices and its founder, Hollywood wannabe Jerry Sanders, had similar roots in the industry as the founders of Intel. The pre-nuptial agreement on the two companies' early licensing deal was fought out in the courts for years. The battle was indeed fought but it was a minor skirmish. Sanders, the consummate marketing man, who owns both a black and a white Rolls Royce and dresses in the latest Paris fashions, is pitted against Grove, a pragmatic engineer who helped start the dress-down trend in business clothes. It makes for a glamorous setup for confrontation. However, the real battle was between Intel and Motorola.

The smaller and weaker opponent, Intel, took on the huge giant, Motorola, and won. Motorola was the target of CRUSH, a corporate-wide program to regain leadership in the microprocessor market. Motorola provided the microprocessor inside the Apple Macintosh. Beating Motorola, a not so glamorous company with a low-key management style, makes for less interesting copy but, in the final analysis, that encounter was a real defining moment for Intel.

Corporate executives will cringe on reading this book and might say, "there, but for the laptop of an inquiring author/journalist, go I." But the stories told, although no doubt accurate, do not reflect the learning culture of Intel, nor the key decisions and battles that made it the world's leading semiconductor company.

Regis McKenna

Poetry by heart, not rote

Time was, people learnt poems in school, and never forgot them. They were always there to be wheeled out on appropriate occasions. It went with Victorian parlours, home-made entertainment, the tradition of recitation. As with most of the panoply of Victorian bric-a-brac, to deride this practice, with its connotations of elocution and "correct" enunciation, became de rigueur for moderns.

Then along came Ted - Ted Hughes, preaching a kind of do-it-yourself phenomenology of the natural world. Imagine you're a hawk, a thrush, a pike or a pig. What does it feel like? Write it down. Anyone can use language to express their own unique feelings and tap the soul of things. It was a wow in schools and

became a new orthodoxy. Why parrot old poems when you could be your own poet? But here comes Ted again. Poet Laureate now, urging us with some fervour to learn poems by heart (*By Heart*, 101 Poems to Remember, Faber, £7.99). Some sort of *fin-de-siècle* cycle seems to be closing. By heart, note, not by rote. We do mental arithmetic but we learn poems by heart. And early learning often leads to lifelong love. (But, of course, it can go wrong: Hughes's fellow Yorkshireman Tony Harrison's career in poetry was fuelled partly by his fury at the teacher who stopped him three words into "Ode to a Nightingale".

"Mi' art aches..." - telling him, "Poetry's the speech of kings. You're one of those / Shakespeare gives the comic bits to prose". Hughes has his own technique for learning poems, which draws on his earlier penchant for violent imagery. In your mind you associate each line with a related strong image; you can then string the pictures together, one image evoking another, and the words should come up on cue. Hughes uses Hopkins' "Inversnaid" as an example: it begins "This darkness burn, horseback brown", and Hughes asks us to imagine a literally burning stream with a horse struggling to escape.

Hughes believes, rightly, that we find it easier to connect these mental pictures than we do the words. But many poems already have their own very strong imagery - to invent further images would be confusing and would detract from the poem. You are meant to see images alongside the words when you read a poem.

We have a growing body of knowledge on how and why people use poems in their lives, thanks to the recent phenomenon of the heritage

poetry boom. The BBC's *The Nation's Favourite Poems* (25.99) followed *Poems on the Underground* into the bestseller lists, and they have just been joined by *Classic FM's One Hundred Favourite Poems* (Hodder & Stoughton, £5.99). *The Nation's Favourite* and *Classic FM* were both compiled from vox pop polls and their common ground is astonishing. Of the 100 poems in each no less than 67 poems are common; of the 63 poems in *The Nation's Favourite* and 58 in *Classic FM*, 49 are shared (the figure for poems is even more startling because everyone might, in theory, choose a different Shakespeare - in fact both polls have sonnets 18 and 116).

Twentieth century poetry doesn't do too well in the polls. There is only one living poet in the *Classic FM*: Jenny Joseph with "Warning". *The Nation's Favourite* is clearly slightly more youthful in character with Wendy Cope, Roger McGough, Hugo Williams, Carol Ann Duffy, and Hughes himself. But even the experts' choice isn't too dissimilar from the people's: Hughes has 43 poets, only

seven of whom are not in the other two books. *The Nation's Favourite* loses Poems (£4.99), this year's BBC book, edited by producer Daisy Goodwin, adds a few more 20th-century poets to the standard list: John Updike, Adrian Mitchell, John Fuller, Edwin Muir, and lastings of Wendy Cope.

There is a paradox here. The century about to end is the first one not to have taken to heart its own authentic poetic voice. It is very odd that in frenetic times, when figures like Paul McCartney and Bob Dylan are berated for not having kept abreast of developments in their art since their heyday, the poetry audience is still clinging to sentiments like "Play up! play up! and play the game!" (Newbolt's "Vital Lampada") from an altogether different era.

But perhaps there is a connection between the century's amnesia for its own poetry and its abandonment of learning poems by heart. The poems that figure in the polls belong to the learning era. Then there's a very sparse patch with oases around the frequently

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ARTS

The briefest of honeymoons

Antony Thorncroft on the implications of this week's provocative plan for Covent Garden

Until this week there had been criticism that Chris Smith, the UK culture secretary, had done nothing for the arts during his five months in the job. Now many will be wishing he had stayed dormant longer.

Was it the challenge of appearing on Tuesday before a Commons select committee, which would ask him for his solution to Covent Garden's endemic problems, that produced the bombshell on Monday that he would like to see it sharing its new, £214m home with English National Opera?

There are many in the arts who think that the need to be seen to be doing something, anything, produced such a provocative plan. Shrewdly, Chris Smith has allowed Sir Richard Eyre to tinker with his proposals and, if the public

reaction continues to be negative, the strong-minded Eyre may tone them down. By Thursday there were the first signs of ministerial back-tracking.

Covent Garden is playing along with the inquiry but it is not happy. For a start, many of the contributors to its £100m rebuilding appeal, which has already brought in £70m, are giving money in return for guaranteed seats in the new building from which to watch the Royal Opera and the Royal Ballet. They may withdraw their cash if they are going to get a hybrid house with the ENO, and

the whole redevelopment could look shaky.

Then the inevitable sackings of surplus musicians and singers could create a political backlash, as would selling off the popular Coliseum to Cameron Macintosh, Lord Lloyd Webber, or even the Disney Corporation. Doubtless by May 1, when Eyre reports, different proposals will have emerged and this week's frenzy will seem ancient history.

At least, during all the turmoil, a donation of around £13m from a charitable trust has lanced the boil of Covent Garden's deficit of £7m, and rising, and removed the

immediate worries about its insolvency.

The real loser has been the Arts Council, which was completely side-lined during the week. In theory it should take the decisions about opera provision in London - it even had its own review under way. In practice it has been neutered.

For weeks, rumours have circulated that the government is seeking to slim down the Arts Council, making it an advisory body. The money saved on its running costs would go to artists. The regional arts boards would make many of the

decisions on grants, with the national institutions, like Covent Garden and the National Theatre, funded directly by the minister.

Such reports have gained substance from this week's events. With only an acting secretary general in Graham Devlin, and a retiring chairman in Lord Gowrie, the council is in no state to stand up to a determined minister, especially a minister who is drawing up the job description for a new chairman, and who can influence the choice of a new secretary general. Smith seems in no hurry to fill the posts, and the

council is consigned to limbo for the foreseeable future. Some members of the council must be wondering whether it is worth staying on board.

The arts world's disgruntlement with Chris Smith may grow in the next few weeks when it is confirmed that he intends to keep the previous government's budget for the arts for 1998, and effectively freeze, for the sixth successive year, the money available for grants to arts companies. Since most already have growing debts, this could prove disastrous.

Of course, there is still the lottery. Although Tony Blair has

raided the arts lottery budget to fund his new educational good cause, the arts should still receive around £240m a year from this source. With most of the major arts building projects - apart from the South Bank Centre, which comes up for a final decision next month - already approved, there surely must be some way of diverting more lottery cash towards revenue ends.

In time, lottery money and annual subsidy will inevitably become one, and the Treasury will wash its hands of funding the arts and the heritage. The alternative scenario - that Chris Smith continues to preside over Tory budgets, while topping them up with populist measures that play well down the pub - could lead to one of the briefest of honeymoons between the arts and its favoured suitor.

A fiasco waiting to happen

Anthony Everitt traces the rising trend of political intervention faced by the Arts Council

A friend of mine who works at the Arts Council of England wrote to me the other day, saying that day-to-day business was going fine. "The only challenge at the moment is how to avoid terminal decline caused by other means."

Things do look grim - despite the fact that recent events suggest a *Carry On* movie. First came the row about Mary Allen's sudden transition without public advertisement from the Arts Council to the top job at the Royal Opera House. Leave was sought not from her employer, Lord Gowrie, the council's chairman, as the rules said it should have been, but from the culture secretary Chris Smith.

And now Smith has suggested that English National Opera moves in with the Royal Opera at Covent Garden. This idea may or may not have its merits, but one thing is clear - it is hardly a vote of confidence in the Arts Council, which is meant to be responsible for such matters.

The implication is that the poor old thing hasn't a clue how to manage its affairs, as it stumbles from one pratfall to another. Old enemies are licking their chops. This is all extremely unfair. The Arts Council has certainly made mistakes (I played a part in some of them myself when I worked for it in the 1980s and early 1990s). But what is going on at the moment is not its fault.

The explanation lies in history. During the Arts Council's early and middle years (since its foundation after the second world war), its relation to government was defined by the "arms-length principle". This is a very British constitutional device. It means that, while the Arts Council is responsible to parliament for its expenditure of public money, it is free to develop its own policies and to allocate its grants without political interference.

The principle was never formalised into a written agreement (at least in my time) and has no more status than that of custom and practice. The advantages of the arrangement are that artistic freedom of expression is protected and arts ministers do not find themselves having to

justify controversial decisions.

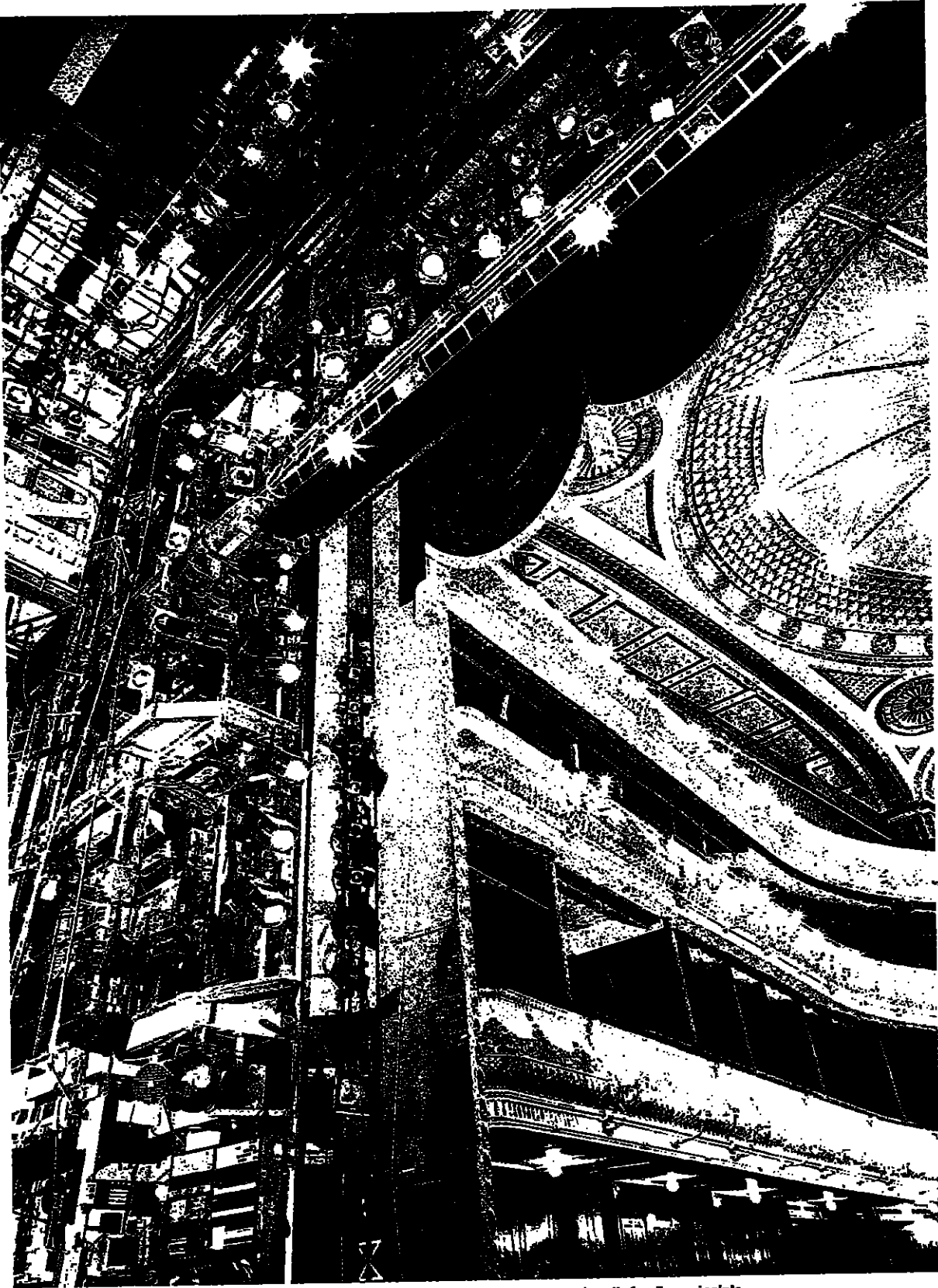
For a long time the system worked reasonably well (although behind the scenes there were always discreet conversations between the Arts Council chairman of the day and ministers). But in the last 15 years things changed. Politicians began, cautiously at first, to interfere directly in the Arts Council's affairs, often under the cover of administrative reorganisation.

By the time David Mellor created the Department of National Heritage and became its first secretary of state in 1992, the arm was only there to be twisted. Mellor saw no reason why he should hand over the money he had wrung out of the Treasury to people over whom he had no control.

The council's chairman, Lord Palumbo, and I were offered a deal: we would be given a substantial increase in the Treasury grant on condition we gave the minister the opportunity to see and comment on proposed grants to arts organisations before they were put to the Arts Council (that is to say, its governing committee) for approval. We were given to understand that we remained free agents and no improper pressure was being applied. Perish the thought.

The dilemma was painful. The choice lay between maintaining constitutional propriety and addressing the financial crisis in the arts. All things considered, the latter had to take precedence. David Mellor was shown a list, to which no changes were in fact made. The Arts Council got its rise.

I recall another, smaller example of erosion. The Arts Council's dance department had been pressed for many years to give regular funding to a touring ballet company, London City Ballet. This had never been forthcoming and one day I was summoned to the Houses of Parliament with a couple of council members to meet some MPs who had an interest in the company. One minister, from the heritage department, attended "simply as an observer". It was a civil encounter. At the end, the minister remarked that he would not try to influence



Backstage at the Royal Opera House, Covent Garden: victim of erosion of the arms-length funding principle

us. His primary task was to raise more money for the Arts Council from the Treasury. But he had to confess this task would be made much easier if we were able to see our way to helping the ballet company. For the record, although London City Ballet continued to receive grants from the Arts Council, it never won the regular funding it sought.

There is nothing shocking, nor even reprehensible, in this rising trend of political intervention. It is understandable that democratic politicians wish to wield the power the voters have given them and, by the same token, that quangocrats feel obliged to bow to representatives of the popular will.

Nobody blinks, for example, at the absence of the arms-length principle in local government, which gives more money to the arts than Westminster. It is how culture ministries work in other perfectly civilised European countries. The problem really is one of duplicity, collusion and secrecy. It is curious that some leading arts figures who are among the foremost defenders of the Arts Council's independence are happy to appeal privately to government if they are not getting their way with the council itself.

Members of the Royal Opera House board, when crossed in past years, would not think twice before approving a message to Number Ten, asking "John" to look into the matter at issue. A widespread habit of by-passing the Arts Council and talking to government directly grew at all levels in the arts community while the myth of autonomy, and remains in place.

As a result, well-connected organisations like the ROH were able to deflect or soften attempts by the Arts Council to assess their activities and, when necessary, insist on good management and value-for-money.

And so the scene is set for this year's fiasco. The fact that two honourable people, Lord Chaddington, the ROH chairman, and Mary Allen, thought it best to consult Chris Smith about her future, rather than Lord Gowrie, is a sign of how completely the arms-length principle has collapsed. Now another veil has dropped as the government commissions Sir Richard Eyre, recently retired from running the Royal National Theatre, to examine the viability of co-habitation by the two London opera companies. The Arts Council has welcomed the step (what else could it say?) and remains ostensibly in charge, but in fact the action is taking place elsewhere. It is an absurd state of

affairs, which politicians created and only they can resolve. They must choose firmly and unequivocally one of two options. The first is to reinstate the arms-length principle and leave the Arts Council alone to get on with its job.

Or they could stop asserting the principle in theory while subverting it in practice - and follow their instinct. In a word, Britain's new ministry of culture could announce that it is assuming direct control of the arts and intends to take all the decisions. Fifty years of tradition might be torn up, but that is in the nature of modernisation, the government's great project.

Both alternatives are workable and reasonable. What is unsustainable is the dishonest status quo.

Anthony Everitt was deputy secretary-general of the Arts Council of Great Britain from 1985 and secretary-general from 1990 to 1994.

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Radio/Martin Hoyle

The depths of dumbering down

Honestly, it's great. Satire on the BBC.

Really. There's this wonderful *News Quiz* which is really, you know, sophisticated and, you know, sophisticated. There are really great jokes like President Clinton saying "quick buck" and it sounding like something else - you know. And jokes about Welshmen and their sheep and Richard Gere and small rodents, you know, really adult.

Sometimes they have guests from the real world, like Kate Adie, who try and be funny, but they're not up to it. A cobbler should stick to his last. And when it comes to cobbler Kate Adie is up there with the best of them.

Then there's political satire, like Alan Coren saying the Queen has glasses "on the end of her cone" - we hooted. It's so daring and adult, so well, trusting. No wonder the magazine *Punch* went the way it did; Alan was one of its last editors before it went bust the first time round. Sometimes his jokes are so deep there's silence after them as if the studio audience had to work out the real meaning of his dazzling wit. Then he says a word like "conk" or "bugger" and we get it at last - and fall about!

Some pathetic wrinklies may object. Last week, in the repeat, they cut one or two jokes, like "sitting on the right hand of God" (get it? we roared!) and "get behind me, Satan" (shirt-lifters ahoy!). In case they offend some nutters. God, it's not as if we're *Islamic* or anything. Jesus, how spastic. Yes, it's great to get at the old and ugly, or young and beautiful, the failures, and the successes, the powerful (and the defenceless) - well, anyone they don't like, actually, and can get a quick jibe at. It's great. And so BBC.

James "Spiller" Boyle's secret agenda of dumbering down, before the official changes to Radio 4's schedule, proceeds with breath-taking effrontery. The latest atrocity is *The Romans in Britain* whose first programme was scintillatingly entitled *Let's Look at the Evidence*. Guy's *Over to You...* "Historian and archaeologist" Guy de la Bédouère led an audience of presumed 10-year-olds through the shallows of the past, gently explaining the full significance of long words and complicated concepts like "history" and "archaeology" in terms familiar to the Victorian *Little Arthur's History of England*, all in a breathlessly urgent tone, like David Attenborough coming

upon a pile of vintage bat-droppings.

Readings from the Romans were done with a heavy pizzeria-waiter accent. Guy dropped in mottos reassuring footnotes ("yes, that's Claudius of *I Claudius* and the TV series") when not presenting us with such extraordinary revelations as how, besides *coins and documents*, tomb inscriptions can help us piece together the past - tombs of *your ancestors and mine*. And there was I thinking that we had, like Minerva, sprung fully formed from the brow of Jupiter - or perhaps that's just journalists.

Who in God's name is this superannuated schools broadcast aimed at? If children, why does it go out in a slot previously occupied by adult broadcasting? But perhaps I fall into the category of the "Bufton-Tufton" type referred to (twice), whatever that means. There were thanks, in the closing credits, to *Private Eye*. Was it all a parody?

I suspect not, to judge from *Reinventing the Wheel*, the history of technology playfully introduced by a comedian - I mean an intentional, professional comedian. Spoiler Boyle appears to have taken the BBC's original injunction to "inform, educate and entertain" with plodding literalness to mean all three must be combined simultaneously in one person. All we need is farmyard impersonations and funny stories about the mother-in-law from the next Reith lecture.

Among the regulars: two good *Desert Island Discs* recently vindicated the unfashionable: posh nobles talking educatedly (John Julius Norwich, delightful on such obsessions as Venice, music including Coward and Ruth Etting among more serious choices) and experts expounding their passions without vulgarisation or playing down.

With Sue Lawley asking all the right questions, the naturalist Richard Mabey voiced his philosophy - neoclassicism, pantheistic, whatever - of everything in its place and all well with the world, if left to nature. His love for his subject shone out, gracing with dignity all things in their own territory. "Nightingale here - who are you?" was how he put it without sounding in the least bit soppy. You suddenly glimpsed more of the country, man in the natural scheme of things, than in nearly half a century of Archers.

Washington brings on the clown

Washington brings on the clown

As the season opens with 'Pagliacci', Pierre Ruhe looks at the Domingo effect at the Opera

When the Washington Opera opens its doors on a new season tonight, it will have Plácido Domingo as its focal point. Not only is the celebrated tenor singing the title role in *Pagliacci*, he is also beginning his second season as artistic director.

The Washington Opera is a rapidly growing company in search of an identity - unsure of its strengths and not even certain of its home. It seems to be expanding in all directions, at a pace beyond its control. While Domingo adds undeniable lustre and prestige, the important question is whether his activities will benefit the company in the long term. Content to bask in his glow, not many people

in Washington seem to be asking it.

Domingo has his own agenda, and the Washington Opera receives only a portion of his formidable energies. Many in the opera world believe he is in Washington to build a résumé for running the Met. Domingo the singer remains a potent vocal and theatrical presence - but in Washington, apart from singing in at least one production each season, his chief attribute is in schmoozing with benefactors.

Although subscription

sales have been high over the years, 95 per cent of seats were sold before opening night last season, a level of support any company would envy. And Domingo can raise cash: a "Welcome to Washington" gala swelled the company's coffers by \$2.5m.

Yet Domingo - whose contract runs till 2000 - has made some highly questionable decisions. He has hired his wife Marta to direct one production each season - last year an embarrassing *Traviata*, this

year Puccini's *La rondine*. And he has turned the company into a home for his young protégées; despite the glitz, the Washington Opera is not up to international standards.

The most consistently satisfying evenings are spent when music director Heinz Fricke is in the pit. An east German routinier of the old school, Fricke turns the orchestra into a first-rate ensemble: recent performances of *Figaro* and *Rosencavalier* were outstanding musical triumphs. You would expect a company to draw on such

strengths - yet Fricke is kept in the shadows. This season he will be confined to *Die Zauberflöte* (in English) and *Don Giovanni*.

Domingo's presence has done little to stem the imbrolios surrounding the Opera's rental arrangement with the Kennedy Center. The availability of the 2,219-seat opera house, its preferred venue, is restricted because the Center also rents the hall to blockbuster musicals. These touring shows force the Opera down the corridor into the 1,100 Eisenhower Theater for part of the season. Only two

productions can be performed in repertory: the company is bursting at the seams.

Help seemed on the way when a \$18m gift of a vacant downtown building raised the possibility of a purpose-built home. But the estimated \$90m cost of building a new theatre has killed off any chance that the site could be turned into an opera house. Everyone except Patricia Mossel, the company's executive director, has acknowledged its

unfeasibility. Domingo - who has repeatedly stated that his fund-raising priorities are for improvements in production - has put a deadline on the campaign, saying that "by the end of the season we should know what and where our future will be".

The Opera could develop the site as rehearsal and storage space, rent it out, or simply sell it. For its part, the Kennedy Center has finally realised that the loss of the Washington Opera would be a blow to the Center's prestige; it has been

busy wooing the company back into the fold, and for the time being, the Opera and the Kennedy Center remain precariously dependent on each other.

The current season, fairly traditional by American standards, includes *L'elisir d'amore* and *Roméo et Juliette*, but also some oddities. Domingo's parents were zarzuela singers, and he plans to give regular performances of the finer examples of the genre: this year it will be Amadeo Vives's *Don Francisco*. But apart from some Spanish and Latin American opera in its repertory, what other lasting legacy will there be for the Washington Opera after Domingo moves on?

How to Spend It



LORD BYRON: Black dot pinstripe double-breasted wool suit, £559. Grey cotton shirt, £110. Grey/black dogtooth wollen tie, £45. Black lace-up shoes, £175. All by Emporio Armani at 191 Brompton Rd, London SW3 (0171-823 8818)

OLIVER CROMWELL: Black velvet single-breasted jacket with matching trousers, £519. White cotton shirt, £88. Both by Joseph at 74 Sloane Avenue, London SW3 (0171-590 6200). Silk black tie with beige flower, £40. Black leather belt, £45. Both by Paul Smith at 84-86 Sloane Avenue, London SW3 (0171-378 7133). Shoes as before

ROY ORBISON: Black single-breasted suit, £529, by Kenzo at Harrods, Knightsbridge, London SW1 (0171-730 1234). Black long-sleeved V-neck fine wool jumper, £179, by Giorgio Armani at 37 Sloane Street, London SW1 (0171-235 6232). Belt with silver detail, £49, by Paul Smith, as before.

CHARLES DICKENS: Black wool single-breasted suit, £569, and black brogues, £185, both by Paul Smith, details as before. Fine blue check shirt, £70, by Joseph, as before. Cerise tie by Harrods, £29.95.

Photographer: Simon Cronley
Stylist: Sally Puttick
Grooming: Jane Foster

Fashion

Black – the most primary of colours

From the garb of a brooding underclass to the choice of mainstream man – blame Kenzo, Issey Miyake, et al, says Robert Thomson

There is a fashion statement of a scene in the just released, ludicrous film *Face/Off* in which the lead actor, Nicholas Cage, a doe-eyed darling of a killer in a customary binary role ("look innocent", "look lethal"), strolls down an airport runway that doubles as cinematic catwalk. Dressed elegantly but menacingly in the most basic of blacks, Mr Cage does a Donna Karan. In the age of stylish violence that is both ballistic and "intellectual", as long as irony pulls the trigger, it is appropriate that designer black is called on to add substance to flimsy scenes. In the old black hat, white hat days, the male millinery only distinguished characters, but film noir now means that villain and hero both wear Hugo Boss black and are that bit more complex because of it.

The sartorial profundity obvious to the modern filmmaker has been given philo-

sophic foundation by John Harvey, author of *Men in Black*, a title borrowed by another film with black-clad actors. We've always known that black is the polysyllabic of colours but, at last, someone has proved that Baudelaire and Dickens and Ruskin were aware that it was the "power colour".

Other colours, the blues, greens and browns of this world, are the stuff of shallowness and aesthetic immaturity. Black is all about introspective depth, and even if this is articulated in meaningless on-screen grunts by an overpaid actor, well, there must be a deep thought or serious sentiment somewhere beneath that beautifully finished knee-length, black wool-blend coat from Paul Smith.

The argument of *Men in*

Black is that this most primary of colours hints at everything from the death of God to the fertility of black alluvial mud. It is the preferred wardrobe of Satan and of the off-duty priest, and the intimidating bloke in head-to-toe black on the train seat opposite has evolved in a fairly straight line from the Black Friars, the Dominicans, who played such an important role in the Inquisition.

To prove the point of black's historical impact, Harvey quotes Castiglione in *The Courtier*: "Therefore me think a blacke colour hath a better grace in garments than any other." Shakespeare had his Hamlet (the black prince) and Charles Dickens laced his books with impressive men, not just undertakers, who wore black

because, Harvey suggests, "a man in black is a man you can trust". The argument is more sustainable in the late 20th century, having left behind the black of fascism and the biker black, with epaulettes, in *The Wild One*.

In summary, Harvey observes: "It seems to me one visible fact, in the history of the millennium that is shortly to end, has been – unevenly and in waves and abeyances – the darkening, the blackening, of men, of what they wear." And we know who is to blame: Kenzo, Issey Miyake and a cast of designers who have elevated black from the garb of a brooding underclass to the choice of mainstream man.

There is something of the night about the man who wears black but, if everybody is wearing black, how do you distinguish the bohemian from the buffoon? The ebb and flow of other fashion colours – panama grey and off-burgundy and military

green – being a mere distraction from the encroaching dominance of black.

In support of the theory, Harvey's frontispiece quotes a scene from the glibly violent film *Reservoir Dogs* in which each of the main characters is named after a colour.

Mr Pink: *Why can't we pick out our own colour?* Joe: *I tried that once, it don't work. You get four guys fighting over who's gonna be Mr Black.*

Now that the literature search has been done and the myth of black firmly established, we must champion another colour, giving it a fresh past and a significance beyond appearance. That colour is red. From the motto Better Red than Dead to the Little Red Book and the red-letter day, auspicious

because saints' days were marked in red on the calendar, the political and religious significance is clear.

Red is the colour of blood, of anger, of romance and of bankruptcy, but the designers and film-makers are yet to take it seriously. There have been experiments in red jackets, red ties and the occasional pair of red shoes, but not enough to build up a body of work.

The red suit is left to Santa Claus but, if you think about it hard, brightish red is the only clear alternative to black, now the staple colour of harsh economic rationalism and made-to-measure violence. Somebody has to take a stand and Tony Blair is just the man for the job.

□ *Men in Black*, John Harvey, Reaktion Books, £12.95.

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HOW TO SPEND IT

Let others benefit while you shop

Lucia van der Post scans the charitable catalogues and finds there are worthwhile gifts tucked away in them

This week, How To Spend It takes a second look at catalogues to help those who have decided that this year they really are going to have everything ready, wrapped and in spanking order by Christmas eve.

The selection is taken from catalogues issued by charitable organisations, where a proportion of the money - it is almost impossible to discover just how large or small that proportion is - goes to the chosen charity.

Buying from some of the catalogues - especially Oxfam and Traidcraft - generates money from sale of the wares and also provides work for those poor and underprivileged areas which produce the goods.

The selection is seldom very stylish or avant-garde - some sort of central buying agency seems to have a rather predictable hand in their wares - but tucked away are some surprisingly attractive things. The catalogues' strengths seem to be that they provide an easy way of ordering all the standard Christmas essentials such as paper, cards, tags and calendars. And for those who like the idea of at least some of the money going to a worthwhile cause, this is the way to buy them.

Actionaid, tel: 01209-831456
Small but useful - a good selection of cards and wrapping paper, crackers and calendars followed by some attractive presents. There are chenille bathroom rugs, aromatherapy kits, cook books and - a great idea this for those living in countries where batteries and electricity are hard to come by - the first clockwork radio, the Baygen (£59.99).

Anthony Nolan Bone Marrow Trust, tel: 01209-831456
Not too wide a selection here

some cards, diaries and notebooks, but anybody seriously wanting to support this charity (it funds a computer-based bone marrow donor scheme) could find some sensible and useful presents. Handmade beeswax candles at £10.49 for four, Christmas cakes and puddings, gardening presents, pot-pourris, CD holder (rather jolly this - in the shape of a pencil it holds 26 CDs (£49.95), golf presents and a small selection of toys (the old-fashioned pick-up sticks are just £2.49 and a simple set of solitaire is only £4.99).

British Red Cross, tel: 01228-506767
This offers the widest choice of papers, tags, decorations, advent calendars and all the other paraphernalia of the traditional Christmas. Nothing cutting-edge here, all in old-fashioned Santa mode, but a useful way to buy from a wide selection. There is also a wide selection of standard, classic presents: initialled pen sets, stationery packs, perfumed drawer liners, warm slippers, road maps, luggage accessories and all the rest. Presents tend to fall into the useful rather than stylish bracket, but some where in there ought to be something for everyone. There's also a useful selection for the hard-up of presents under £10.

The National Trust, tel: 0117-986 4747
Perhaps the most elegant (though small) selection of presents of all the charitable inclined catalogues. From elegant foods (Christmas puddings, dried fruits, pudding-shaped chocolates, Glenfiddich Highland Whisky Cakes) and cards, to some exceedingly attractive Georgian-style glassware, creamware, simple photograph frames, a waterproof picnic rug (£44.50) and some sleek pewter hairbrushes (£23.99), which can be initialled for £2.50 each.

The National Trust for Scotland, tel: 031-236 5922
A distinct Scottish flavour to this catalogue. Again, it isn't large, but there are some charming presents for those

Clockwise from above:
● Ngong vase and mug, £14.95 and £9.95, from Survival
● Candles and candle stick, £5.50, from Shelter
● Washed wood frame, £12.99, from Traidcraft
● African drummer, £15.99 from Traidcraft
● Stars durrrie, £23.99, from Traidcraft
● Tall cat, £15.95, from Oxfam FairTrade
● Pewter hair brush, £23.99, from the National Trust
● Burnished Inca bowl, £19.99, from Oxfam FairTrade
● Pencil CD holder, £48.95, from the Anthony Nolan Bone Marrow Trust
● Westie cushion, £30, from the National Trust for Scotland
● Slipper boots, £23.99, from British Red Cross
● Sottara tavern clock, £23.95, from the National Trust for Scotland
● Aromatherapy pot, £4.95, from Shelter
● Noah's Ark money box, £10.99, Traidcraft

(£23.99), which can be initialled for £2.50 each.

The National Trust for Scotland, tel: 031-236 5922
A distinct Scottish flavour to this catalogue. Again, it isn't large, but there are some charming presents for those

of a nostalgic or patriotically Scottish turn of mind - crystal wine goblets (£42.95 a pair), a game board based on Edinburgh's Charlotte Square (£25), Scottish haggis (£3.75), a honey-pot from Ceres in Fife, a revival of 19th century Scottish pottery

(very attractive indeed, £39.95), a patchwork quilt made from various tartans (£129.95 for the single, £162.75 for the double), cashmere bedsocks (£34.95), and a cushion edged in tartan featuring a Navajo warriors for the great ceremonies, £160.

the thumb piano found all over Africa from Zaire to Botswana), original prints, jewellery and T-shirts. Lushest of all is the "great spirit" robe or Pendleton blanket, traditionally worn by Navajo warriors for the great ceremonies, £160.

Shelter, tel: 0890-539102
A good selection of cards, wrapping paper, tags and the rest and a slim selection of some attractive small presents: candles, tapestry kits, English teas, fudges, preserves, soaps and bath products.

Traidcraft, tel: 0151-491592
Much the best and the fastest of the charity catalogues and printed on better paper

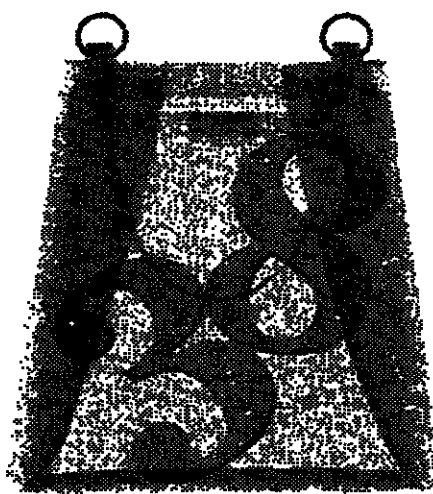
than ever before. Now that ethnic is so chic and the oriental influence is pervading the haute puritans of the interior decorating world, the Traidcraft catalogue offers not just the chance to make the giver feel good but also the imprimatur of the taste barons.

Here are splendidly ethnic wooden bowls and implements from Kenya and India, good wooden toys (a colourful hand-carved Noah's Ark from Sri Lanka for just £24.99), creamy textured bath mats from India (£14.99), good plain square wooden photograph frames from Indonesia (£12.99 and £17.99), durrries from India and ceramic figures from Zimbabwe.

The clothing, it has to be said, does not have quite the same cachet, but look for sweet (and highly fashionable) embroidered velvet bags from India and scarves (also from India) and then move swiftly on to the stationery where there is a big selection of very attractive cards, writing and wrapping paper. There are also all sorts of wonderful nuts, dried fruits, proper coffee and other highly politically correct foods.

Unicef, tel: 01245-476315
A vast selection of cards, gift tags and calendars and otherwise a small rather boring and predictable selection of toys, mugs, puzzles and T-shirts.

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ing the thumb piano found all over Africa from Zaire to Botswana), original prints, jewellery and T-shirts. Lushest of all is the "great spirit" robe or Pendleton blanket, traditionally worn by Navajo warriors for the great ceremonies, £160.

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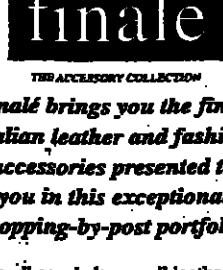


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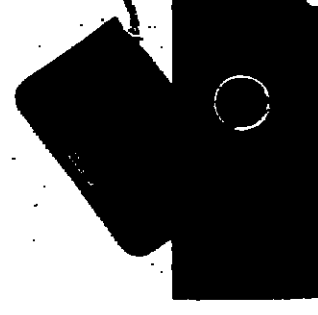


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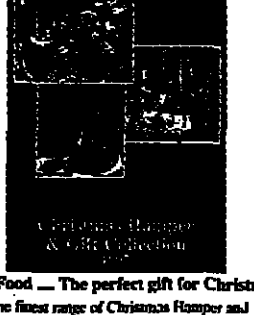


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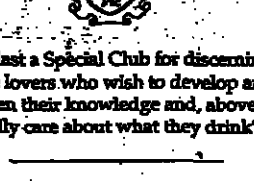
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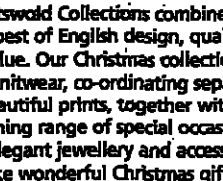
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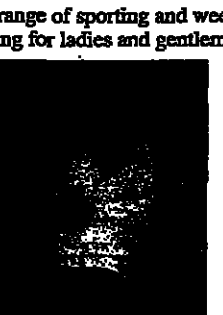
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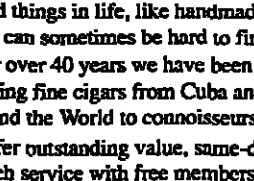
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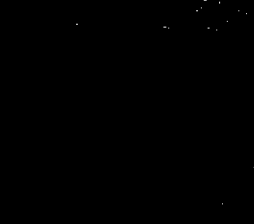
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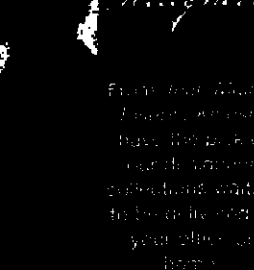
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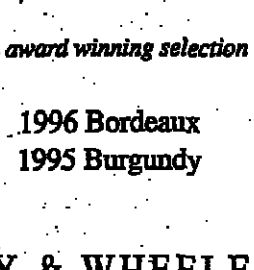
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SPORT/MOTORING

I expect you missed the recent news of the death of a young Japanese boxer. He boxed under the name Akira Taiga. His real name was Akira Sato. He had suffered brain damage and fallen into a week-long coma after being knocked out in a fight in Tokyo for a vacant national title.

According to an AP wire-story from Tokyo: "The 23-year-old Taiga was the 27th Japanese professional boxer to die from wounds inflicted in the ring since the Japan Boxing Commission's office was set up in 1952."

"In the seventh round of the 10-round bout, Yoshiaki Matsukura attacked Taiga with a flurry of blows and sent him to the canvas."

"When the dazed Taiga stood up, Matsukura landed a left squarely against Taiga's head, knocking him out."

"Taiga became a professional boxer in 1993 and had a record of 13 victories, including five knockouts against two defeats and two draws."

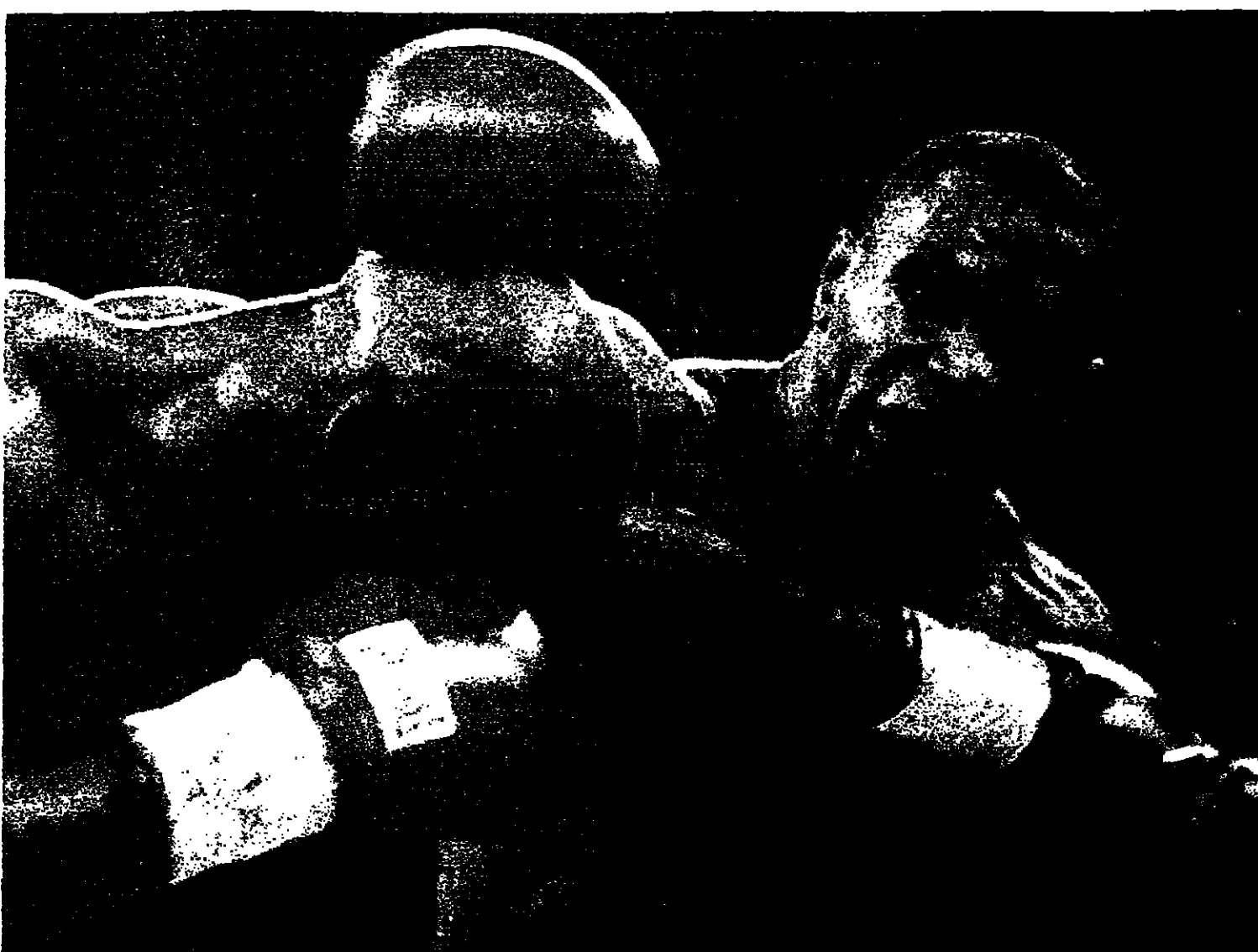
Another news agency, Kyodo, reported that Taiga was the sixth boxer to be killed in Japan since September 1995, and that his death had "occurred at a time when Japanese officials are stepping up efforts to protect boxers that include... computerised brain check-ups."

Unless you live in Japan, it is unlikely you saw those reports, mainly because they were swamped by everything else going on in the wide and sometimes weird world of sport.

If you had read those stories from Tokyo, you might have assumed that the young boxer's death was another nail in the coffin of a sport notorious for corruption, criminality, baseness and plain ugliness.

But you would have been wrong. The odds against professional boxing being banned - which is what many critics want - are extremely small, for that would drive it underground. Like it or not, boxing will be around for many more years, so long as the corrosive greed of the agents, promoters and broadcast media who strive to bleed it dry does not make it more of a laughing stock than it is.

I like boxing. I hate violence, but I like boxing.



One of the ugliest fights of the century - Mike Tyson and Evander Holyfield during the WBA Heavyweight contest in June

AP Photo/Larry Ignat

Boxing

Cleaning up the act

Michael Thompson-Noel welcomes moves towards greater safety

Perhaps I am a weakling, a coward and a degenerate, the sort of guy who, back in the Pleistocene, was always a spectator, content to watch from a distance while his fellow hunter-gatherers stalked and butchered the prey, or stalked and butchered other hunter-gatherers.

Or perhaps I am just confused. Perhaps I have a twisted understanding of what "violence" really means. Dictionarywise, violence means "exertion of physical force so as to injure or abuse", which sounds exactly like boxing. It is a definition which perfectly describes the crunching blows, repulsive cuts, swollen eyes, infliction of incapacitating pain and - occasionally - the knockouts I have witnessed at professional fights.

Boxing is always violent. Yet I have never quite seen it as akin to true violence, in the sense of there being a culpable aggressor and a non-culpable victim.

Boxers would prefer to do almost anything but box, yet they do it voluntarily - they do it for the money.

They know they will be hurt. They know they may be harmed. And they must wonder, sometimes, whether they will be killed. Boxing writer Jonathan Rendall once made the mistake of idly telling a boxer named Valentine Golding that if he did not enjoy boxing, he shouldn't be a boxer. Golding was appalled. "We don't do it for enjoyment, Jon!" the shocked boxer said. "For money. For money, Jon. You think we'd do it for enjoyment?"

As for those who watch and like boxing, there is no mystery there, either. In 1986, when he was only 19, Mike Tyson defined boxing's attraction in these words: "People want entertainment, intrigue. I give them what they want."

For some, the entertainment sector that Tyson conjured up was the circus. "I think Mike Tyson belongs in a cage," fellow heavyweight George Foreman said when Tyson was accused of raping Desiree Washington. "I think he needs to be sheltered like you should shelter a lion or a tiger. You lock him up, except when you want him to come out and jump through a few hoops. When that is over, you lock him up again."

Until recently, Britain probably had more registered professional boxers than the rest of Europe - east and west - combined, according to John Morris, secretary of the British Boxing Board of Control. That has changed, now that increasing numbers of fighters in Russia and eastern Europe have turned professional. But Britain still has approximately 1,100 registered professional boxers, of whom about 620 are regarded as active.

"Boxing must never stand still or convince itself it has made itself as safe as it can be," says Morris, adding that the BBBC is pleased with the progress of its scheme whereby many boxers are required to undergo an annual MRI (magnetic resonance imaging) brain-scan, in addition to an initial MRI (magnetic resonance angiogram) test.

However, Morris admits that MRI scans are aimed at eliminating prevalence of the punch-drunk syndrome among weak and boxers at high risk of brain injury, and cannot pinpoint vulnerability to sudden, massive - perhaps death-dealing - brain damage to boxers not

already predisposed to such injury. Peter Hamlyn is the consultant London neurosurgeon who operated on British boxer Michael Watson in 1991 when Watson was horribly injured in a fight with Chris Eubank. Hamlyn dismisses calls for boxing to be banned. He believes there will always be boxers so long as there is deprivation. Boxers, says Hamlyn, recognise the risks they take.

But he believes much more should be done by the boxing authorities. In Hamlyn's view: "The experience of Formula One motor racing is that a lethal sport... can be rendered [relatively] safe without removing the spectacle. However, thus far the efforts of the BBBC on prevention have been far wide of the mark."

The damage inflicted by a blow is determined by the energy of the punch, the resistance to the G-forces exerted on the head by the neck muscles and the ability of the assailed [boxer] to block or avoid contact. Effective measures will therefore address boxer fatigue and methods of diffusing the

punch. The number of rounds, the length of rounds, the interval between rounds and the interval between the weigh-in and the fight [because of possible dehydration] need to be changed. Glove design must be improved and a study of the use of headgear is required to resolve whether [headguards] protect the head or merely increase the size of the target."

There are sports more dangerous than boxing. Inquiries are underway, for example, to determine why there have been 17 deaths in 15 years at one of Britain's three national scuba diving centres. The most recent fatality at the centre was the fourth involving an inexperienced diver in six months.

Boxing could do much to clean up its act. Slowly, it will contrive to make itself a little less vicious.

Slowly, boxing will contrive to make itself a little less vicious.

Slowly, boxing will contrive to make itself a little less vicious.

Slowly, boxing will contrive to make itself a little less vicious.

Football

Not all beer and Milan

Kester Eddy on the rough end of writing a football guide

The Half-Time bar, five minutes from Hungary's national stadium, reverberates to the roar of passing traffic. Its walls are covered with football memorabilia, pennants and newspaper pictures, many faded and discoloured, of famous Magyar players. Most patrons, who probably earn below the average national wage of £170 a month, seem intent on discolouring the pictures even more; the air is thick with cigarette smoke. Beer is £1.50 (45p) a pint. A 1960s pop song is playing on a tinny radio. The Half-Time doesn't feature in many tourist guides.

To be precise, it features in one - *The Rough Guide to European Football*. Published last month, the guide went straight to the number one spot in Britain's sporting books charts. Its authors, British journalists Peter Jones Cresswell and Simon Evans, are sitting in the Half-Time sipping beers.

Cresswell and Evans made Budapest their home and launched for a career they say would have been difficult, maybe impossible, back home.

The sports world in Hungary, says Cresswell, has the advantage of being accessible. "For example, we've just walked unannounced into the People's Stadium and taken photos. You couldn't do that at Wembley."

Cresswell and Evans met in Hungary and began freelancing for UK magazines and, occasionally, BBC radio. The idea for a book was thrashed out on a train to a match.

"We realised we hadn't got information on where we were going. The guide books had nothing about football," says Evans in a Lancashire accent none the worse for four years in Budapest. Even in western Europe, writing often failed to go beyond "car parks and bus stops". The two Brits wanted a nitty gritty guide with local colour.

They hit the road, visiting clubs, last year. It was indeed a "rough guide". "We weren't coming out of a five-star hotel, arriving by taxi in our suits. We stayed at youth hostels and Inter-rails," says Cresswell. It was the base in Budapest, with its relatively low cost of living and central location, which allowed them to manage even that.

"People went out of their way to help us," Evans says, citing his reception at Zemun, a little club "in a far-flung corner of Belgrade". The Serbian soccer equivalent of Brentford, Zemun are rewarded with an entry in the book.

The book tries to make countries seem more manageable. "When Glasgow Rangers were in Romania,

the fans were looking around the streets and they thought, forget this, let's get in McDonald's. They sat eating Big Macs all night," says Evans. "Hopefully, people who read that chapter won't be afraid to go to Bucharest."

Western Europe held surprises. Negative preconceptions were reversed in Denmark, and - good news for fans heading to Euro 2000 - in Belgium. After the Netherlands - "quiet, sedate, beer in small measures, and clean" - Cresswell found Belgium "completely the opposite. Shambolic... it's got an almost amateur feel to it, but as such it was very refreshing."

He rates Belgium's Molenbeek "most friendly club", complete with its own brass band playing all day. "People go just for the band." The trouble is, he admits, the other kind of players on the Molenbeek turf don't win much.

There were, inevitably, ups and downs. "Some clubs were almost honoured we wanted to write about them," says Cresswell. Grasshopper Zurich was "really fantastic" -

Grasshopper Zurich was 'really fantastic' - Juventus 'difficult'

Juventus "difficult", though the pair graciously put that down to disorganisation. Borussia Dortmund was a "model for development", Chelsea "particularly unhelpful". But the Scottish team Hearts takes the wooden spoon. "They wouldn't give me a ticket for a match, not even when I offered to buy one," says Evans.

There were also brushes with hooliganism. In Salonika fans rioted and began throwing seats at the press box. A trip to Poland coincided with a weekend of soccer violence, and in Istanbul he experienced the "extremes" of Turkish security control - until saved by a club official.

To friends, though, it all sounds good fun. They forget the down side. "As a freelance, you're paying out for stationary, faxes, the things that off the wheels," says Cresswell. "Then you get the phone bill. I've never seen phone bills like I had in those two months," adds Evans.

"There's an awful lot of unglamorous work, tugging around the streets. It hasn't all been, like, beer and Milan."

Rough Guide to European Football, Peter Jones Cresswell and Simon Evans, Rough Guides, £14.99

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FINANCIAL TIMES
No FT, no comment.

Motoring / Stuart Marshall

Such an impeccably behaved 4 x 4

It is a point I have made more than once before, but it bears repeating. There is absolutely no logic, or even common sense, behind the continuing craze for using on-off road vehicles designed to cross trackless terrain as car substitutes.

City and suburban streets and supermarket car parks are now littered with big, butch 4x4s built for climbing through axle-deep mud.

For this kind of use, they are marvellous. But only an insignificant proportion of buyers ever go off the highway, which is probably just as well. Few are aware that taking a 4x4 in and out of obstacles like bomb craters has more in common with riding a horse across country than driving a conventional car on normal roads.

Even that most civilised of all on-off road 4x4s, the Range Rover, is a design compromise. It is peerless on the rough stuff, but with heavy beam axles front and back it cannot possibly ride as comfortably as handle with the precision of an independently suspended

estate car of similar or lower price.

On-off road 4x4s cannot help being thirsty, especially on motorways, because their shape is about as aerodynamic as Buckingham Palace. Boldly patterned tyres have a high rolling resistance. Rugged construction and 4x4 transmission with two ranges of gears adds a lot of extra weight.

I would be the last person to deny that all-wheel drive has its uses. Nearly 30 years ago Audi showed how four permanently driven wheels made the exceedingly muscular turbocharged Quattro sports coupe remain well-mannered on snowy roads that would have made other supercars undrivable.

In hilly regions where winters are hard, even cheap 4x4 cars such as the Subaru Justy are worth their weight in gold to people who simply must keep going on roads that may see a snowplough but never a council gritting lorry.

And, of course, Land Rovers and Shoguns, Jeeps and Land Cruisers are essential kit for motorists who pull two-horse trailers,



The Volvo V70 XC AWD Cross Country estate

across fields if needs be, and must cross rough terrain for work or leisure.

A third class of four-wheel driven car offers the best of both worlds. The Subaru Legacy Outback and Forester have above-normal ground clearance, suspension up to the rigours of rutted unmade tracks and 4x4 transmission providing traction to spare for mud and snow.

They are, of course, no match for Land Rover-type vehicles in the extreme conditions rarely experienced away from press launches. But they make driving seem

easy on surfaces that defeat cars with only front or rear wheel drive and modest clearance underneath. Even more importantly, on proper roads they ride, handle and perform with the comfort, precision and economy of normal motor cars.

Latest model to join this best-of-both-worlds niche is the Volvo V70 XC AWD Cross Country, a higher slung, cosmetically altered development of the Volvo V70 AWD estate with a 2.45cc, low pressure, turbo-charged five-cylinder engine. Normally, 95 per cent of the engine's power goes to the

front wheels. As soon as drive tyre slip is detected, power is fed, instantly and automatically, through to the rear wheels - up to 95 per cent of it if necessary.

Further aids to maximum tyre grip are a low speed traction control system for the front axle, which helps smooth restarting on slippery surfaces; and a locking rear differential. At 6.5in (16.5cm), ground clearance is close to that of many of the lifestyle on-off roaders.

Last week in Andalusia I drove manual and automatic versions of the Cross Country. The roads varied from the superbly surfaced autopista to rough gravelled tracks with frequent fords.

The increased ground clearance and stiffer springs that made driving on rough surfaces non-damaging did nothing to spoil smooth road ride comfort. The Cross Country held on securely when cornered vigorously on mountain roads and kept to its line perfectly on fast, main road curves.

Front and back, there was ample head, leg, knee and shoulder room. The cargo space is uncluttered and gen-

erous and the rear sill easy to bump heavy things over. The five-speed gearshift was good for me, the self-effacing automatic transmission even better. The Cross Country will be in British showrooms before the end of the year. Next year Volvo GB plans to sell around 1,000.

It is a most desirable and practical estate car, sturdily built, luxuriously furnished and with bomb-proof manners. Performance is stimulating and a potential average fuel economy of 25.9mpg or 10.9l/100km (manual), 23.9mpg or 11.8l/100km makes it seem frugal compared with most petrol-engined on-off roaders.

Sadly, many families who might find a Cross Country the ideal car will be put off by the prices - £29,925 (manual) and £31,025 (automatic). A plusher trimmed but otherwise comparable Subaru Outback automatic estate with air conditioning costs more than £7,000 less at £22,910; the slightly smaller Subaru Forester GLS, also air-conditioned but with manual transmission, is cheaper still at £18,500.

TRAVEL



Most cruise ships sail in tropical seas in winter, so enjoying a white Christmas afloat is an unlikely prospect. But there is one destination where it can be guaranteed in plenty: how about tucking into the turkey among the penguins?

Festive season voyages are a big feature of the growing fleet of ships making cruises to the Antarctic and adjacent islands such as the Falklands and South Georgia to explore the wild life and magnificent ice-bound scenery. Mostly small, specialist ships, they range from fairly luxurious expedition vessels to chartered Russian icebreakers and scientific survey ships. Since they carry few passengers, they can offer a more intimate kind of party fun.

There will be plenty of traditional celebrations aboard one of the smartest of the ships, the 6,752 tonne Bremen, of Radisson Seven Seas Cruises. Passengers can enjoy their turkey in the tiny harbour of Grytveken on remote South Georgia after a service in

How about a festive penguin?

Bill Glenton comes up with a different sort of bird for the yuletide celebrations

its tiny church. Father Christmas comes complete with a local herd of reindeer.

Aboard other ships, which head deeper into the ice and snow, penguins, elephant seals and whales are more likely companions, while a few ships will help bring Christmas cheer to scientists at isolated Antarctic bases.

One Christmas cruise that will appeal to those who prefer high C's to high seas takes you on a three-country musical tour across central Europe.

The 160-passenger river ship Roussea is making a week-long trip down the broad Danube through Austria, Slovakia and Hungary with calls at their capi-

als Vienna, Bratislava and Budapest. Opera and concerts at these city venues will be a big feature of the cruise, while a special Christmas highlight is midnight mass at the ancient baroque abbey of Melk in Austria's Wachau valley.

The well-equipped Roussea will also carry a string quartet to serenade aboard, along with its other facilities. These include a roomy lounge, single sitting restaurant, observation deck, two bars, shop and hairdresser. The compact cabins - all outside - come with small private shower/WC.

Celebrating the birth of Christ has been given a fresh impetus in Russia, where Christianity now

revels in a new freedom. In St Petersburg it can be uniquely enjoyed from a floating base right in the city centre.

Christmas breaks are being offered aboard the Swiss-run hotel-ship Peterhof moored at the Makarov Quay on the River Neva close by the Hermitage and other important sights.

Normally the preferred choice of many western businessmen on weekdays, this 181-bed vessel becomes a popular tourist stay at weekends and holiday times, and offers both standard and deluxe accommodation.

As well as two restaurants serving western and Russian menus there is a panoramic bar, nightclub with live music, gym,

sauna, shop, hairdresser and laundry. The ship's own travel agency sells city tours and tickets to the theatre, concerts and the Kirov ballet.

Vodka may well be a vital part of the Christmas spirit with temperatures dropping to well below zero. Bring your ice skates in case the Neva freezes over.

Christmas is a truly joyful time for cruise lines. It is their busiest, most profitable time of year. They can charge higher rates and still fill their ships.

But the big attraction for most passengers is escaping the cold to enjoy hot sunshine in the warm water winter cruise regions. The festive fun in most ships is little different from the normal

round-the-clock entertainment. Father Christmas does pop down the funnel on many ships; turkey, pud and crackers are on the already overloaded menus, and midnight mass and carol services are often held.

But you need to pick your cruise carefully if you want it to be more than just another voyage. Some lines deliberately keep the festivities low key because they cater mainly for passengers seeking to get away from them ashore.

The best bet is one of the smaller, more luxurious ships such as those operated by Cunard, Seabourn and Radisson, which offer a more intimate family gathering atmosphere. The

bigger vessels can be a wiser choice if you are taking children, with special fun organised for them.

Where you cruise is important if you seek the seasonal spirit ashore. Christmas is joyfully celebrated on the Caribbean islands, for example, but it is just any old time of year in places such as south-east Asia.

■ Radisson offers its 16-night cruise from Port Stanley, Falklands, for \$5,000 to £11,000 with air fare extra. Cheaper Antarctic cruises are available from some other lines. Agent is Paul Mundy 11 Quadrant Arcade, Regent St, London, W1R 6JB (tel: 0171-587 906, fax 454 1410).

■ Danube cruise: Noble Caledonia, 11 Charles Street, London W1X 8LE (tel: 0171-409 0376, fax 0834) sells the cruise from £992 to £1,145.

■ Peterhof: Voyages Jules Verne, 21 Dorset Square, London NW1 6QG (0171-616 1000) and Noble Caledonia (see Danube cruise) both offer holiday breaks in the Peterhof. Prices are about £400 including flights.

Continued from Page XIII

bottle of Beaumont Champagne on arrival.

WINTER SAILS: Orient Lines offers both hot and cold Christmas cruises. If you want the warm south, sail down to Rio for £2,650 (50 per cent off for a second passenger); if you fancy ice in your drinks, try a 13-day cruise to the Antarctic from December 21, from £3,650. Weather permitting, Christmas Day will be spent in the Falklands and you'll see floating ice-sculptures, penguin colonies, volcanic Deception Island... Call +44 0171 622 1093 for the briny details.

COUNTRY COMFORT: For an English country Christmas, try Wye Lea Country Manor (+44 01909-582890). Its luxury cottages and apartments, in 17 acres of Herefordshire, will be decorated; the restaurant will offer traditional Christmas dinner and guests will be greeted with Stilton, port and crackers. Indoor pool, tennis courts, spa bath and fishing on the Wye available. A cot-



One girl and her goat: the sights and sounds of Egypt

From Day

tage for seven nights from December 22 costs from £600.

STAVE TIME: You can attend a Christmas Day service at Ringebu Stave Church, a 13th-century wooden church near the Norwegian ski resort of Venabru, on a Headwater holiday. Staying at the Fjell hotel, with games room, TV room, solarium and sauna, you'll have Christmas Eve dinner with carols and a

visit from Santa the night before. If you go for new year, December 31 features a fancy dress ski race, fireworks display, turkey dinner and dancing. And there are 180km of ski trails. Call +44 01606 813333; departures on December 20 and 27.

PROMISED LAND: Follow in Moses' footsteps on Christmas Day - climbing Mount Nebo, in Jordan, from where he saw the promised land.

On a Jordan Explorer trip with Bales (+44 01306 885823) you'll also float in the Dead Sea (very nearly dense enough to walk on) and visit Amman, Wadi Rum, the Roman remains of Jerash, and the rock-cut city of Petra. The December 22 departure costs £998.

ISLAND IN THE SUN: Have a Zanzibari Christmas dinner - spicy, with seafood and exotic fruits - on Chumbe island, with its coral gardens and reef, its seven bungalows (maximum 12 guests) and abundant wildlife. Staff welcome children and will teach them to snorkel and take them to climb the lighthouse. From £720 plus flights; call Discovery Initiatives on +44 0171-229 9881.

NILE AWAY THE HOURS: See Christmas from the Nile on a seven-night cruise, leaving on December 19, with Sestiar (+44 0171 294 0500). The air-conditioned cruise ship Florence has a pool and sun deck - it can be warm in Africa. There are free excursions to a wealth of ancient sights: Karnak and Luxor

temples, Valley of the Kings, Aswan Dam and others. Prices from £549, including flights and full board.

WARM WELCOME: Cyprus stays warmish through winter, and the five-star St Raphael hotel near Limassol has family Christmas programmes which include children's parties, adults' cocktail-mixing competitions, backgammon tournaments, pastry-cooking demonstrations and plenty of food, drink and music. Call Cyphon (+44 0181-342 8103) - it also offers self-catering holidays from £365 a week.

DROP OF IRISH: The Merion, Dublin's newest five-star hotel - created out of four Georgian town houses, complete with original plasterwork and fireplaces - guarantees a warm Irish welcome. Its programme includes a welcoming cocktail reception, Christmas lunch, a present for every guest, afternoon tea, spa treatments and a farewell champagne brunch. High spot for racing fans will be the St Stephen's day meeting at Leopardstown. In the hotel lounge, naturally. Package from Christmas Eve to December 27 costs £570 per couple. Tel: 00 353 1 603 0600, fax 0700 or e-mail address: info@merionhotel.ie



ITALIAN JOB: On Christmas Eve in Sorrento there is a nativity procession through the town centre. Stalls sell seasonal goods and concerts are held all Christmas. Traditional lunch at the Grand Hotel Excelsior Vittoria is four courses, concluding with Zeppole, Italian Christmas cake. Between

December 19 and 23, you can have six nights for the price of five; it's five for four over new year, with a grandstand view of the fireworks from the hotel's cliff-top site above the Bay of Naples. Call 0800 969 785 1677 5358.

HILLTOP HOME: How about a getaway with all the fam-

ily? Why not think about taking them to a 16th century manor on a hilltop near Cahors in the Lot Valley. It has large open fires, a vaulted dining room, period furniture, four-poster beds and it can sleep up to 12. And the basic price? Just £567 for one week for five people and two cars on the

ferry. This and smaller properties are available from Bowhills (01489-877627, fax 01489-877872).

DROP OF SCOTCH: Follow in the footsteps of Benjamin Franklin, President Carter and the Dalai Lama. Sit back

Continued overleaf

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Australasia ski round-up / Arnie Wilson

A cruel year for skiers

Scottie Barrie pointed his ski pole up the Turnpike trail towards the crater lake at Whakapapa, New Zealand's dramatic volcano ski area, and said: "If you'd been standing there at five to five the evening it blew, you'd have been dead!" Luckily, when Mount Ruapehu erupted no one was there.

Tragically, this was not the case across the Tasman sea in New South Wales, where 18 people at Thredbo, one of Australia's prime ski resorts, were killed in July this year when a landslide of 10,000 tons of soil swept away two ski lodges.

One way or another, it has been a pretty cruel year or two for skiing down under.

The people of Thredbo are still numb with the shock of losing so many friends. Against this background, perhaps it hardly matters that it has been a poor winter for snow in Australia, and not a brilliant one in New Zealand. The Victorian resorts of Mount Buller, Mount Hotham and Falls Creek, however, have been more fortunate.

The indifferent winter has dashed the hopes of a speedy recovery at Whakapapa, brought to its knees by two consecutive winters of eruptions from Mount Ruapehu - one of three magnificent volcanoes which thrust skywards in central North Island.

In 1996, a series of lahars (an Indonesian word for a

volcanic mud slide) emptied the crater lake of mud and water. Without mud, the later eruptions, however spectacular and disruptive to skiing, were the equivalent of firing blanks. The series of fireworks displays created vast clouds of dust, ruined the snow, delayed the opening and put the ski area in debt.

Apart from "one or two frights" at the beginning of this season, Ruapehu has been relatively docile this year, and it is likely to settle for another 60 years or so.

Gareth Pearce, cocktail barman at Whakapapa's magnificent gothic pile, the Grand Chateau Hotel ("a high standard of dress is required after six") mixes an interesting brew called Crater, containing Frangelico, Baileys and cream for NZ\$8.30. Eruption is an even more lethal concoction. He sets fire to the drink in order to produce the ash cloud effect.

Whakapapa, Australasia's biggest resort, is in the process of clawing its way back. "At our lowest ebb we were NZ\$7m in debt to the banks," says Barrie. "We were hoping for a good season, but it hasn't been a good snow year. Two winters of eruptions and a lack of snow this winter have kept skiers away."

"Normally we'd be expecting around 3,000 skiers a day, but we haven't been getting many more than 2,000, so we'll just about break even this year."

The official verdict on July's Thredbo disaster is unlikely to be announced for some time, but there is strong speculation about the causes. The Australian newspaper said "the high speed at which the hillside gave way" indicates a "recent increase in the soil water level" of the type associated with heavy rain. But it had not been raining in Thredbo on the fateful day.

Brighter news is of a new package produced in Victoria's ski area

Doctor Clive Wood, engineer at the university of Queensland, is quoted as saying: "Landslides usually take place over hours or days, and there's ample warning for people to get out of the way. But in Thredbo it wasn't raining at the time, and that's the most unusual thing."

Instead, suspicion falls on a broken water pipe and recent changes in the road's drainage system. More disturbingly, Wood said there is evidence that the lodges were built on the site of an old landslide.

The brighter news coming out of Australia is that a merger between two of Victoria's ski fields, Falls Creek

and Mount Hotham, has produced a package much greater than the sum of its two parts. A six-minute helicopter link - almost 2½ hours quicker than going by road - and a shared lift ticket provides skiers with much wider options.

Hotham has recently built three lifts, doubling its lift-served ski area at a stroke and making its most challenging skiing, the Mary's Slide area in Swindler Valley, accessible to those reluctant to hike up.

Both Hotham and Falls Creek are planning to expand. A huge new hotel each and an airport at Horsehair Plain, about 20km from each resort will be built. This will cut the journey time from other parts of Australia.

Falls Creek also plans to erect three quad chairs on nearby Mount McKay. "We don't pretend to be a Whistler or a Vail," says Ian Grant, managing director of Falls Creek Lift Company. "But we've still got a hell of a lot to offer."

■ Arnie Wilson flew to NZ and Australia with Air New Zealand, tel: 0181-945 9595. His visit was organised by the New Zealand Tourist Office and Australian Tourist Commission in London, and Tourism Victoria. In New Zealand, he stayed at the Grand Chateau Hotel in Whakapapa Village, North Island; in Australia, at the Summit Ridge Alpine Lodge, Falls Creek, Victoria and The Observatory, Sydney.

FOOD AND DRINK

A need for careful mix and match

Giles MacDonogh wonders what foods are really suited to eating with port

It had to happen: someone has actually started matching food and port. Possibly the idea came from the fortified wine-producing area of Banyuls in French Catalonia, where this sort of counterpoint has been practised for many years. Possibly the seeds were always there: I recall Dirk van der Niepoort suggesting drinking his fine *colheita* tawny ports with *steak au poivre* – however apposite, I cannot imagine a more sure-fire recipe for a hangover.

The shipper which has gone to town on weddings of this sort is Sandeman. The important point is to get away from the idea of drinking port as some sort of sacred ritual performed by old boys in clubs and stress the fact that it is sweet, and can perform many of the tasks more often

associated with unfortified desert wines.

Twenty years ago I met an enlightened Frenchman who bought vintage port at Christmas to serve with foie gras: a combination which appears to work and which is no heavier on the stomach than the more classic notion of pairing the liver with a rich sauternes.

On the other hand there are not many other starters or main courses which lend themselves to port: at 20 per cent alcohol it is just too fiery and ponderous to take the place of more conven-

tional wines. Sandeman was offering ruby port with *bacalhau*: Portugal's ubiquitous dried cod. There could be an argument for light red wine with *bacalhau*, but not port.

Cheese is another matter. Vintage port accompanies many blue cheeses like a dream and an old tawny is particularly good with Portugal's one world-class cheese, *queijo das serras*. This mountain cheese has the texture of a ripe *bacherin mont d'or* and a character all its own.

Ruby port is tolerant of chocolate while tawny is perhaps bet-

ter with those eggy puddings so loved by the Portuguese. Per capita consumption of egg yolks in Portugal must be higher than in any other country in the world. In one Oporto restaurant we were shown a modest-sized flan which had been made with 30 yolks, while in the allegedly poetical town of Amarante we were brought an anthology: including *papas d'anjo* (angels' breasts) and *Amarentinhos* (little Amarante cakes). They all tasted remarkably similar, and although a slug of port was a blessing, a shot of vodka might have been a better

way of keeping them down.

The Sandeman house style is restrained: it works in some of their brands, but not so much in others. One of their best wines is the straight ruby (£8.65 from Kwiksave, Morrisons, Co-op, Budgens). Ruby is a style which is poorly understood these days.

As we learned from the blender, Carlo Silva, the ruby is basically a 1994 filled out with a small amount of the preceding and succeeding vintages. It is a robust mouthful of raspberries and blackberries, and a great hit with chocolate puddings.

The 20-year-old tawny (£21 from Oddbins and Lea & Sandeman 0171-976 4767) seemed both attenuated and evanescent, as if the wine was in need of a refreshing dose of younger port (this is generally the practice in the "British" houses). I preferred the nuttier 30-year-old, but that is not on the market in the UK.

Indeed, Britain does not always get the best deal from Sandeman. Its excellent straight Douro wine, *Confradeiro*, is not released in the UK. Nor was its first attempt at a "single quinta" vintage from the Quinta do Vau. This 1988

wine seemed particularly promising, with its classic little nuance of violets, yet Sandeman sold it all in the US and has so far refrained from issuing a second vintage.

The same lightness of touch is recognisable on the classic vintage wines. Given the general backwardness of the massive 1977s, the Sandeman seemed surprisingly forward, although the wine did have that smell of gum rockrose which George Sandeman values so highly. Nor was the 1994 a thunderer, but rather more in the style of some of the Portuguese houses: supple and early-ripening. Only the 1982 vintage stood out as a classic, with plenty of colour and muscle, this should be ready in time for the millennium. It is good enough to drink on its own.

Oporto: no room for faint hearts

Nicholas Woodsworth needs a strong stomach and a stout appetite when he samples some hearty Portuguese helpings

Gastronomically speaking, I regard myself as a pretty tough guy. Having eaten more dainty meals in more idyllic parts of the world than I care to think of, there is not much I cannot put down my throat and still feel good about.

So when I installed myself in the Casa Peza Arroz in Oporto and asked for the local speciality, I felt no qualms. This, after all, was Europe, and the river flowing outside the was the Douro, not the Zambezi.

It was not long, however, before I asked the owner over and begged an explanation. What precisely was it, I inquired, that I was eating? "This, for instance," I said, digging around in a thick sauce and fishing out what I took to be a piece of wet, grey army blanket.

"But it is the finest tripe!" Miguel Peza Arroz protested, "the inner lining of the cow's stomach, and the very soul of the dish."

"What about that, then?" I asked, prodding at a large, yellowish gelatinous lump that quivered at the touch.

"It is the hoof of a young

cal, gently simmered for hours," he replied with feeling. "It, too, is the soul of the dish."

"And this other bit?" I asked, dredging up a thick, rubbery square, the kind of thing one might repair tractor tyres with.

"It is pig hide, with the back fat attached; it makes the sauce rich and smooth," my host replied, now visibly upset. "Without all these things our famous *tripas a moda do Porto* would not be *tripas* at all!"

I desisted immediately, leaving other objects unidentified, for it does not do to dishonour a celebrated local dish. As I ate, I suggested to Signor Peza Arroz that he explain the origins of such an intriguing meal.

He immediately brightened up, and pointed to the river and the quay outside. "Tripas is part of the glorious history of Oporto," he beamed at me.

When Henry the Navigator sent the Portuguese fleet to attack the coastal cities of Morocco in the 15th century,

he said, the prince first victualled here, at these very docks. Oporto merchants – patriotic and, of course, see-



The covered market in Oporto: in spite of a long imperial past, Portuguese cooking remains simple, generous, robust and rural

John Headline/Anthony Blake Photo Library

ing a large profit – sold Henry every last bit of food they could rake in from the hinterland. As a consequence, the citizens of Oporto were left with what not even the sailors would eat – scraps of offal. Making the best of what they had, they came up with *tripas a moda do Porto*.

It must be, I suggested diplomatically, a good meal for cold winter days.

"Yes, of course," Peza Arroz replied, "but we like it in summer, too. We like it so much other Portuguese call us *tripeiros* – tripe eaters."

Now I never, in the days that followed, became a confirmed *tripeiro* myself. But the meal did cause me to notice that Portugal offers much more than the fish and seafood – the cod *bacalhau*, grilled sardines, prawns, squid, clams, swordfish, tuna and fish stews – that it is justly famous for. Particularly in the north, where the land is fertile and well watered, there is a rich inland cuisine that provides some of Portugal's most popular meals.

In the same way that the cooking of the coast finds its origins in the meals of poor and hardy fishermen, the food of the interior comes from frugal, hard-working farming families. In spite of a long imperial past, Portuguese cooking remains simple, generous and robust rural cooking.

Thus the prominence, in every-day family cooking, of hearty one-pot soups and stews – *caldos* and *caldos de feijão* – the proverbial kettle of fish, on the coast, and nourishing vegetable and meat preparations inland. Both improvise with what is available on any particular day, and many of the country's classic recipes evolved from the inventive ways in which Portugal's rural housewives combine ingredients haphazardly culled from different sources – the remains of lunch, for example, with whatever is in the garden.

Such soup or stew combinations include chick-peas and spinach; pumpkins and onions; white beans and sausages; tomatoes and eggs. One of the best-known soups

is *acorda a alentejana*, a simple but delightful egg-drop soup thickened with bread and flavoured with coriander and masses of garlic. Rich and filling, all of these soups and stews satisfy both stomach and soul.

But on special occasions, church holidays or religious festivals, for example, tradi-

Pork is the favourite meat inland, made into hams, sausage and charcuterie

tional family meals tend to be more elaborate and planned around a barnyard beast prepared specifically for a feast. In the old former Portuguese capital of Guimarães, deep in the green rural heart of the northern Minho area, I settled down to one of these trencherman's meals.

I chose no great religious

holiday to eat on. Instead, I dined in the stone-arched refectory of one of Portugal's grandest religious buildings, the 12th century Augustinian monastery of Santa Marinha da Costa. These days, Santa Marinha is a *pousada*, part of the national network of buildings – usually monasteries, castles or palaces – transformed into top-class accommodation serving regional food and wines.

Feeling a bit like Friar Tuck, I wielded knife, fork and spoon over a vast meal that began toothsome with *salpicão*, a sausage of pork tenderloin cured in dry wine and garlic before being smoked. Then came Portugal's most famous soup of all, virtually its national dish, *caldos verde*.

Mention cabbage soup elsewhere and it evokes not much more than images of odorous tenement hallways. But *caldos verde* is different. It is made from a non-heading, tender-leaved cabbage variety *couve gallega* that is surprisingly delicate in flavour. Sliced into filaments and tossed into a pot

brimming with potatoes, onion, garlic and fruity Portuguese olive oil just minutes before serving, it is slightly crunchy in texture and imparts a bright jade-green colour to the soup.

It was a meal in itself. But then came a tough choice: *arroz de cabrito*, stewed goat kid in rice, or *rojões a minhota*, pork with spiced sausage.

If *bacalhau* and sardines are the preferred fish on the coast, pork is by far the favourite meat inland. It is made into hams, sausages and *charcuterie* of all sorts. It is popular in stews. It is spit roasted over coals. It is braised with baby clams in the shell. As ham, it is even wrapped round freshly-caught brook trout and flipped in a pan so hot it turns into a crisp and smoky envelope.

But I had learned my lesson in Oporto, and made discreet inquiries. *Rojões a minhota*, it turned out, is a sort of pork spectacular which, including liver, blood, and small and large intestine, employs every part of the

pig but its squeal. Cooked in its own fat, it is a meal much appreciated in farm-houses throughout the Minho. But I opted for the kid instead.

It arrived in a bubbling pot, a goat so young and small that my portion included a haunch, the neck, and an entire side of miniature curved ribs. Contemplatively, I poured a second glass of Reguengos, a full-bodied Portuguese red.

Poor little kid, I thought, regarding it, and then dug in. Stewed in white wine with onion, garlic and bay laurel, and swimming in a soupy yellow rice fragrant with the odours of saffron, it was tender and delicious. When it comes to such hearty country fare, the Friar Tucks of Portugal must leave their squeamishness behind.

Nicholas Woodsworth's stay in the Pousada Santa Marinha da Costa was arranged by Mundi Color Holidays, specialists in Spanish and Portuguese travel, 278 Vauxhall Bridge Road, London SW1V 1BE. Tel: 0171 825-6021.

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Sydney Smith was a spirited 18th century English parson, a man of simple tastes and seductive theological arguments who famously observed that his idea of heaven was eating foie gras to the sound of trumpets.

History does not relate if he ever visited Strasbourg to sample its most celebrated product. Doubtless, if he did, he would have been a happy man.

Genuine pâté de foie gras de Strasbourg is seldom found nowadays. It was invented in 1780 by a chef named Jean-Pierre Clause, who was working at the time for the Marquis de Contades, then governor of Alsace.

An enterprising fellow, he was challenged by his employer to come up with an alternative to traditional Alsatian fare, and conceived the idea of burying an entire goose liver in a farce of veal and pork and encasing it all in fine pastry. The result looked something like an English raised pie.

Louis XVI, who received a sample, approved the invention, rewarding Clause with 20 pistols and bestowing on

his patron a piece of land in Picardy.

Clause later left the marquis's service to marry the widow of a pâtissier – presumably to ensure a lifelong supply of pastry – and devoted his remaining 43 years to his magnificent speciality. (Truffles crept in later.)

Although the famous delicacy described above is now something of a rarity, there is certainly no shortage of foie gras (literally 'fat liver') in Strasbourg. Proper foie gras, naked and unadorned, falls broadly into three different categories. The most expensive and most perishable – designed for instant gratification – is foie gras *fruits*, gently cooked, chilled and sold by the slice.

Next comes foie gras *en semi-conserves* (or *en terrine*) where the livers are packed into small glass (Kilner-type) jars and pasteurised, which gives them a shelf life of up to six months. Finally there is foie gras *en conserve*, the least fashionable tiered variety where the livers are cooked at a higher temperature until sterilised. As techniques for cooking (and

chilling) the first two categories are constantly improved, the third option diminishes steadily in popularity.

Do not confuse products such as mousse, purée or parfait de foie gras with 'real' foie gras. In these products, the foie gras is always eeked out with other substances (which range, quite legitimately, from iced water

to chicken livers to pork fat). Read the label (by law the ingredients are very precisely outlined) and you will know just what you are getting. The price will also give you a clue.

If you are giving foie gras as a present, or merely spoiling yourself, head for the rue des Orfèvres in the traffic-free heart of the city where

you will find the old-established (1858) butcher's shop Frick-Lutz.

Owned and run nowadays by a great-grandson of the founder, the business is famous for its superb *charcuterie*, beautifully butchered meat – and foie gras. For this noble product there is a separate boutique and mail order business on the rue du Chaudron just around the corner.

Lutz products range from whole, truffled, fresh goose liver (FF£200, roughly £225 per kilo) to a semi-conserved in an elegantly decorated Strasbourg pot (FF£82 for 550g) to a 425g tin (FF£46). Peak time is around Christmas when the shop dispatches around 4,000 mail orders countrywide – about 70 per cent of its entire annual foie gras business is done during December.

For an on-the-spot sampling of foie gras in Strasbourg, follow in the footsteps of the famous to the door of chez Yvonne, the city's most famous wine bar-cum-bistro, at 10 rue du Sanglier.

Yvonne Heller is famous for many things, not least her exceptionally unctuous

foie gras (she prepares around 50kg of the stuff per week) which she serves with mesty slices of toasted country bread and a *Richter*, jug of the fruity house Pinot Gris.

Alternatively, treat yourself to lunch chez Emile Jung at Le Crocodile (10, rue de l'Outre).

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The cusp of October and November is a fine time for gathering nuts in Britain. Squirrels have raided the best hazels and filberts, but sweet Spanish chestnuts and walnuts are at their peak, so much so that the last night of October used to be known in the north of England as nutcracker night.

It was the night when pagans held all-night vigils, with singing, dancing, feasting and drinking by firelight, to celebrate full larders and to strengthen resolve in the long dark night of winter. Christians gave the festivities a religious slant, invoking prayers for the dead throughout cemetery picnics on All Souls' night, followed by celebrations for the purified souls' ascent into heaven the next (All Saints) day.

Chestnuts were roasted on braziers, popping like squibs if the skins were not slit or pricked before cooking. When peeled, the nuts might be wrapped with chunks of sausage in cabbage leaves for braising; or chopped and mixed with herbs to stuff small birds for spit-roasting; or simply dipped in honey to cool and sweeten them.

Walnuts were even more important, and the shells rattled satisfactorily when cracked open. The kernels might be ground and used as a flavoured alternative to breadcrumbs or flour for thickening sauces; worked into the pastry used to encase leek and gammon or treacle tarts; or whipped with sugar and egg whites to make meringue biscuits.

More recent ideas include adding roughly chopped walnuts to coffee-flavoured sponge cake with frosted icing, adding walnuts to bread dough for loaves to serve with cheese, and sprinkling them over salads.

I love them with watercress, chicory, rocket, frisée endive or a combination of these, with extras added for a light lunch dish - a few grapes, sautéed chicken livers, crisp curls of streaky bacon, juicy prawns or diced gruyère cheese, for example. Richer salads of the Waldorf type call for mayonnaise-based dressings.

For an easily made sweet treat to serve with afternoon coffee or give as a Christmas present, slip walnut halves into softy dried figs, along with a pinch of orange zest, and dip in chocolate.

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A fine time for nutty English chefs

Philippa Davenport is busy squirreling away this year's Spanish chestnuts and walnuts

For one of the best any-time savoury snacks, brush small rounds of country bread with olive oil, toast them, lay slices of spatz, cheese on top, sprinkle with thyme, press a walnut half into the cheese and grill until just molten.

Yes, of course it saves time to buy ready-prepared chestnuts and walnuts but convenience costs - textures and tastes are greatly debased. Canned chestnuts are heavy and dull. Vacuum-packed are absurdly expensive and, like frozen pre-cooked chestnuts, they lack the delicious, slightly smoky flavour of freshly roasted nuts, while texture is reduced from crisp-edged mealy bite to flabby.

Ready-shelled walnuts, as sold by delis, grocers and supermarkets, tend to be just as pasty. Even packets boasting a long sell-by date tend to be stale, varying on bitter and rancid.

Walnuts keep reasonably well in the shell but once stripped of their defensive armour they deteriorate quickly, vulnerable because of their high oil content. Eating quality depends on using them swiftly after shelling or on storing them in cold, airtight conditions, criteria that are not met by flimsy packaging, shop display shelves and kitchen store cupboards.

Walnut oil is notoriously short-lived unless stored in the fridge. As for the nuts, I recommend buying sufficient for your needs for the year ahead. Buy them in the shell, keep some in a sack in a cold cellar or outdoors for serving with celery and cheese, crack open the rest and squirrel them away in the freezer, sealed in heavy

duty polythene bags with all the air pumped out. Like coffee beans, frozen walnut kernels remain free-flowing, allowing you to withdraw as much as you want when you want, and there is no need to defrost them before use. In practice, I generally toast them briefly when they emerge from the frozen ordeal. This takes the chill off them, heightens savour and - great bonus - helps to lift off the (paper thin but bitter-tasting) skins. Rub the toasted kernels between your fingers to complete the task, preferably in

ardour that only a convert can muster. Growing up with Elizabeth David's opinions ringing in my ears, I dismissed sage as synonymous with sad packet stuffings, but the fresh leaf, as more and more Italophiles are discovering, is a world apart from the musty crumbs lurking in an ancient herb and spice rack jar. As for cooking the leaves in hot fat - an idea I think I picked up from chef Simon Hopkinson - it takes only seconds and needs no deep-fat fryer.

WOODY HERBS
provide aromatics, and sage leaves fried to crisps are deliciously decorative

a draught so the skins are blown away like chaff.

Butternut is a winter squash, not a nut, with flavour and texture as dense and rich as the deep orange colour of its flesh. Much more characterful than giant British-grown lantern pumpkins, it seems well with walnuts to make a substantial and comforting risotto. Fragrant woody herbs provide complementary aromatics, and sage leaves fried to crisps are deliciously decorative, too.

I admit that both sage and deep-fat frying used to be pet-hates of mine, but I embrace them now with the

Butternut and Walnut Risotto with Deep-Fried Sage
(serves 4-6)
400g Valence Nano, carnaroli or arborio rice; 1 smallish butternut squash (to yield 400g-450g peeled and seeded flesh); 50g-60g walnut kernels; 3-4 shallots (or 1 smallish onion); 2 fresh red chillies; a small bunch of thyme; 2-3 dozen sage leaves; a few sprigs of flat-leaf parsley; 1.6 litres light stock; 50g Parmigiano-Reggiano cheese; 70g unsalted butter; arachide (peanut) oil for frying.

Toast the walnuts in a dry frying pan over low heat to colour lightly, intensify nutty savour and loosen the skins. Rub the nuts between your fingers as soon as cool enough to handle, blow away the skins and break the kernels into small pieces.

Chop the shallots finely and soften gently in 40g butter in a heavy-based saucepan or flameproof casserole. While the shallots soften, peel, seed and cut the butternut into small chunks; strip the leaves from several sprigs of thyme; de-seed the chillies and chop finely.

Bring the stock to simmering point and keep it at a gentle simmer.

Add the butternut to the shallot pan, turn up the heat and cook for a couple of minutes, stirring often. Add the rice, chilli and thyme and cook, stirring continuously, for about a minute more.

Pour on a ladle of boiling stock and cook at a moderate bubble, stirring as necessary to prevent sticking. When most of the liquid has been absorbed, add another ladle of stock and stir the rice well. Continue cooking, stirring and adding more stock until both rice and vegetables are done.

While the risotto cooks (good rice takes 15-18 minutes depending on type), grate the cheese and chop 3-4 tablespoons of parsley. When the rice is nearly ready, heat some oil to a depth of ¼cm in a small frying pan.

When the risotto is cooked, switch off the heat and quickly stir in the remaining 50g butter, Parmigiano and walnuts. Cover with a lid and leave for a minute or two while you fry the sage.

To do this, simply drop individual sage leaves, in batches, into the hot oil. They should sizzle, but not burn, almost immediately. Flip them over quickly, remove a few seconds later and drain on crumpled kitchen paper.

Season the risotto with salt, pepper and parsley, and mix well. Transfer to a warmed serving dish, scatter with a rustic sage leaves, and serve straight away.

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Eating out

Bleak outlook for local restaurants

The future looks gloomy for the independent family business. Nicholas Lander reports

Anyone who wants to appreciate the changes sweeping through the British restaurant industry should call the Rainforest Café, the new \$5m venue on Shaftesbury Avenue, in London's west end, where three live parrots outperform the chef.

No human voice answers the phone. Instead a recorded message welcomes you to the café which, it explains, "is a wild place to shop and eat" (note: the shopping comes first). It then lists six options - including one for interested "crew members", a euphemism for staff - which you may take before you eventually speak to an operator, rather than a receptionist, who explains that the café only takes bookings for parties of 12 or over.

However, the cost of some of today's restaurant openings, which are beginning to match the levels of football transfer fees, and the record restaurant closures reported throughout the UK over the past 12 months, are interpreted as signs of market strength rather than weakness.

Big money is coming from big companies. According to Laurence Isaacson, deputy chairman of Groupe Chez Gerard, the situation is similar to the emergence of the supermarkets in the 1970s. "Then it was the corner shops which gradually disappeared," he explained. "Now it is the independent restaurants who are the endangered species."

Some are not staying to fight the battle, taking generous offers for their sites, capital sums which their restaurants rarely generate, and moving on.

According to the 1996 Hardens' London Restaurant Guide, 90 restaurants opened this year - one up on last - but 58 closed, twice last year's figure. That is the most since the recession. In London over the past year, Avon has left Anna's Place in Islington; Boyd Gilmour has departed Boyd's, Kensington, and Magno has left Magno's Brasserie, Covent Garden.

There is no doubt that those individuals who have improved the capital's lot feel their profession under threat.

This conclusion was reinforced during a lunchtime discussion with three men in the business: Nigel Platts-Martin, a former merchant banker who is now owner of the Michelin-starred The Square, Mayfair, and Chez Bruce, a dining

mecca in Wandsworth; Stephen Bull, advertising-director-turned chef who runs three, highly personal, central London restaurants; and Martin Lam, chef/prior of the family-run Ransome's Dock.

All reported that current business was excellent but all were concerned that a combination of three factors - rising property prices, the expansion of the restaurant market and an acute shortage of staff - were already combining against the independents.

"Most London property," Platts-Martin explained, "is owned by institutions and property companies who only seem happy with the quality of covenant that the likes of Conran, Granada or Whitbread can offer. Individuals just cannot get the prime sites any more."

Lam nodded his head in agreement. Moves to expand his thriving restaurant in Battersea, south London, have been thwarted because he could not offer the blue

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'A single restaurant cannot offer the rapid career development of bigger organisations'

chip guarantee his landlord sought.

Bull, who has made successful restaurants out of less-than-promising sites, added that the property dimension of restaurants has changed, too. "Since Conran, customers' expectations have greatly increased. They want space, light and the chance to see and be seen. A small neighbourhood restaurant just cannot physically provide those."

Platts-Martin added: "Traditionally, our business has been dependent on the quality of the food and service we offer, the goodwill this generates and repeat business, but now it is losing its personality. A new restaurant recently raised £1m via a prospectus that made no mention of its chef."

The increased number of restaurants, Bull says, although spoiling customers for choice, has made expensive advertising and public relations necessary for any new venture - invariably outside the independent

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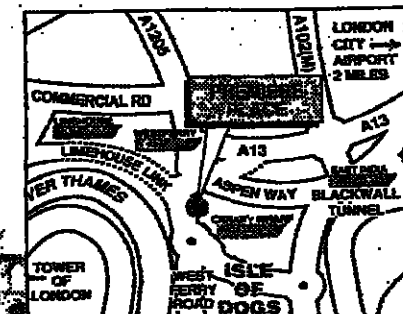
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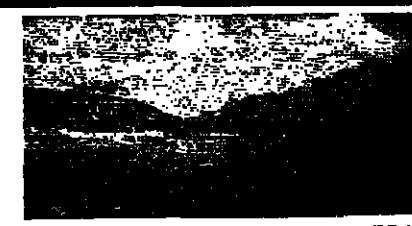
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On the Move Buying spree comes to an abrupt end

Anne Spackman finds there are suddenly very few Hong Kong buyers for London property

The recent Hong Kong stock market volatility has almost halted a spectacular buying spree by east Asian investors in London property.

Not surprisingly, individuals who have spent the past couple of weeks worrying about their net worth have proved reluctant to spend their weekends shopping for a new London flat.

Every weekend, UK property developers exhibit new schemes in Hong Kong. Very often, the buildings have not even begun to sprout from the ground. They show potential buyers a model of the proposed site, floor plans and a video of London. Many reserve a property on the spot.

In the middle of the Hong Kong index's recent wild fluctuations, Canary Riverside, a luxury Singaporean-backed scheme on the Thames at Canary Wharf, found only three buyers in Hong Kong for 100 of its large, expensive apartments.

Sales were even worse for Brody House, a block of cheaper flats in Spitalfields. Even the new phase of County Hall, which sold well earlier in the year, failed to



What the computer says: stricken courtyard in Barratt's Globe View in Southwark

pull in the crowds.

The poor response was in marked contrast to sales of only a few weeks ago, when developers achieved record sales in Hong Kong.

In September, Barratt broke records for pounds-per-square-foot prices at its riverside development opposite the Globe Theatre, in the City of London. It sold all 30 of the flats available for £7m. None of those buyers has cancelled.

Berkeley Homes was similarly successful with a development in Buckingham Palace Road, Westminster, where it sold more than 40 out of 94 flats before the exhibition even opened.

The sudden lack of interest in buying throws up two big questions: is this the end of the lucrative Hong Kong sales market for UK developers; and what effect, if any, will it have on the London property market in general?

For the time being, developers and their selling agents are not panicking. However, one developer this week pulled out of an exhibition planned for Hong Kong at the end of the month for a small block of flats in Baywater.

There is certainly a trimming-down of expectations.

Many agents believe November - which is not traditionally a strong month for sales in Hong Kong - will be particularly poor this year. Developers with no track record or with a building in a fringe location are expected to do badly.

But there is a belief that the south-east Asian market for UK sales will recover next spring. UK property is at the safe end of the Hong Kong investment spectrum. Estate agents argue that anyone who has cash may prefer to spend it in London rather than within their own more volatile region.

As for the impact on the London market, it looks likely to be limited. Hong Kong and Singaporean buyers are heavily concentrated in the new-build market, which, itself, is concentrated in certain parts of the capital, such as Docklands and Westminster. Any scheme relying chiefly on off-plan sales to overseas investors looks vulnerable.

But beyond that narrow market, the average person buying or selling in London is unlikely to notice any change. Demand had already started to slow in the summer and prices are now levelling off.

Of course, those properties which are currently being heavily marketed in Hong Kong have not yet been built. Some, such as Canary Riverside, are two years away from completion.

Serious problems could arise if Hong Kong sales continue to be depressed and developers have to seek buyers for these properties in the home market. There may be plenty of potential buyers - both owner-occupiers and investors - but they are unlikely to pay the premium prices achieved in Hong Kong.

If that means prices appear to be falling, and a few developers go bust in the process, confidence in London property in general is likely to be hit.

London Life Doctors' London is on the mend

Gerald Cadogan finds Marylebone is recovering fast after a long period of decline



Three bedroom penthouse for £295,000 - 43 Wimpole Street

Marylebone is picking itself up. A Waitrose supermarket should open next year on a bombed site behind the High Street and Terence Conran's latest restaurant, Orrery, has just welcomed its first diners.

Grant Cunningham, of hairdressers Robert & Grant, says that moving to Marylebone High Street four years ago (from a hotel basement in Mayfair) was the best thing the business could have done. He now cuts hair a few doors away from the Daunt bookshop - one of London's best, especially for travel - and senses a revival.

Marylebone High Street and Marylebone Lane, its approach road from Oxford Street, together form one of London's most convincing village high streets. The area has suffered a long decline, during which shops closed, or changed hands - such as Sagnes, the cake shop.

"During the war, Sagnes never made cakes except when they had real butter and real cream," recalls renowned underwater archaeologist Honor Frost, now in her 70s, who has lived in Welbeck Street for 50 years. "So there were few cakes, but great queues for them. Of Free French and Marylebone ladies in mink and pearls."

Twenty years ago, J. Sainsbury moved out of the High Street; Waitrose is now moving in to join the furnishing shops and restaurants, and Steinway, the piano maker.

Marylebone Lane is a rarity in central London. It is a winding street that follows the course of the old Tyburn river, the bourne (stream) that gave its name to Marylebone, or Mary of the Bourne.

One can argue where Marylebone's boundaries are

live and work in".

Marylebone, sitting in central London, boasts surprising numbers of Georgian houses, as well as grand Edwardian buildings faced in pink. Many houses in the area have medical restrictions, requiring their lower floors to be used as consulting rooms.

Leaseholds, some with more than 900 years to run, are offered by the Howard de Walden estate, as are assured shorthold lets. It also buys in leases to convert buildings to rental accommodation.

There has been little interest in collective enfranchisement of flats, a process by which leaseholders can take over the freehold of a block. In any case, many buildings have too much space in commercial, mostly medical, use to qualify. But 50-year lease extensions are attractive.

It is a sign of the changes taking place in Marylebone that Egerton, the up-market estate agent, has opened an office in New Cavendish Street, close to Jeremy James, which has been an agent there for 28 years.

Egerton's Julian Lewin sees the area as undervalued when compared with Chelsea, Mayfair or the Nash terraces in Regent's Park. Typical price ranges are, he suggests, £150,000 to £175,000 for a one-bedroom flat. "Two years ago you would have been struggling to make £140,000-£145,000," he says. A three-bedroom flat costs between £300,000 and £350,000. "There is a big shortage of properties," Lewin adds, "and few whole houses to buy."

At 43 Wimpole Street, Egerton offers a three-bedroom penthouse for £295,000. Or pay £295,000 for a modernised mews flat with garage in Marylebone Mews, through Jeremy James.

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PROPERTY

War, the great theorists used to say, is diplomacy waged by other means. I keep meeting readers who think that gardening is waged like business management, except that their spouses approve of them doing it at the weekend. During the week, you boss the under-managers and at the weekends, you boss the borders.

I have never taken the notion too seriously, until last week. One of the minor hazards of gardening is the matter of naming. The older you are, the more faint the mental labels become. Then, just like business people, the botanists keep on changing the names around to confuse us.

Once upon a time we had Woolworths and when it got into a tangle, we had to call it Kingfisher. Once we had Raters - when it was about to sing its swansong, it changed its name to Signet. Outdoors, we used to grow scented *Acidanthus*, but it is not only the early frost which has stopped their late autumn beauty in their tracks. The experts have changed their name to *Gladiolus Murielae*, just as they once changed *sinningias* to the current *gloxinias*.

Perhaps you never grew an *Acidanthus*, although the corns are remarkably cheap and easy and end up as wonderful pot-planters for November. You must have believed that you have received, given or grown a *Chrysanthemum*. In fact, the books now tell us, you did nothing of the sort. You actually grew a *Dendranthema*, as we are now supposed to call them, although almost nobody takes any notice.

Until last week, you probably thought that at some point you might drink a Guinness. I have always been scared of it, ever since the scholarly power-houses of my university days used to tell me those recipes for hangovers which involved mixing the stuff with raw eggs and tomato juice. It now turns out that we will never need to drink them anyway. Just as the botanists have renamed our *Chrysanthemums*, those in the know have taken their household brand and decided to call it *Diageo*.

All this may make you think that knowledgeable gardeners do indeed end up like knowledgeable businessmen, their main aspiration to give a new name to anything which is already doing very well under a perfectly good old one. It is not, however, so simple.

Gardeners are slightly better at it because their names do have a crazy consistency. *Dendranthema* is a muddled compound whose roots, at least, are as con-



Gardening

The daily grind

Business people and botanists only seek to confuse, says Robin Lane Fox

sistently Greek as they are tenacious in any good garden soil. If you unravel them, they mean Tree Flower. This is the sort of lunacy which you would expect a botanist to impose on us: the old name of *Chrysanthemum* did, at least, mean Golden Flower, not inappropriate for the better known flowers in the family.

It is at least all Greek to the botanists, but admittedly nobody pays them fees to muddle things around. Once you pay people, they go marvellously haywire. The world premiere of *Diageo* has been accompanied by the assurance of some very highly paid consultants that it is a perfectly intelligible compound of Latin and Greek. "*Diageo*", it appears, is the Latin for day, while *Geo* is the Greek for world. After a search through at least 70 languages, a very hefty fee was paid for this total nonsense.

Neither bit of the word, as you well know, means anything of

the sort. "*Diageo*" is the Greek for "through" and I will need some very strong brainwashing before I can accept that *diageo* means "day throw" or *Diana* means something like *Daygirl*. *Geo* cannot end a word in Greek and does not mean earth or world, any more than *George* means earth person.

Perhaps it has all been a misprint, like the memorable occasion when I congratulated a nurseryman on looking after 10,000 pots in a plastic tunnel; it appeared in print as 10,000 pots, causing him to be raided by the RSPCA. Either the advisers meant to launch *Diageo* as *Dayworld* or else the name was a combination of *Di*, *ageo*, *dago* and anything else which you can puzzle out on a beer mat. As nobody seems to need *Chrysanthus* any more, perhaps they could change the product's colour and take over a name which is still world-

wide, from the shrines of Japan to the cemeteries of France, but which the gardeners are now no longer allowed to use.

The entire episode has caused me no end of autumnal amusement. It also reinforces one of our commonsense beliefs. Like several hundred others, I am paid very little in order that I may know and uphold the fine languages of Latin and ancient Greek. It seems to me that the commercial naming consultants, who appear to know significantly less, are paid a very great deal to handle these honourable subjects.

Here, too, it strikes me that business is more like gardening than we all used to recognise. I have always found that the landscapers and designers who charge the most are the least likely to know how to grow or cure a plant which is proving awkward. The people who really know are those who grow it for a

living and depend for their livelihood on selling it, a principle firmly stated by the philosopher Descartes 300 years ago when he said that he would never accept anything as knowledge unless he had asked somebody whose very existence depended on its truth.

The general conclusion gives me even more pleasure. In the early 1980s, people started to say that the British were so hopeless at business because they spent so much of their time in their gardens. I now see that the gardening was the necessary prelude to their latest economic revolution. If it moves, manage it; if in doubt, rename it; if you have no idea what you're doing, put a brave face on it and send out an enormous bill. It will not be long before management courses, like training courses for lawyers, send their participants for practical experience in the very gardens where botanists are doing their best to confuse them.

At home

A short hop from the pantry

William Cochrane has moved house - but only 40 yards across the green

Moving can be poignant. But this time I haven't moved far. I have been in love with Tattingsstone Park since I bought it in 1986 and wrote about No.1 The Courtyard, once the butler's pantry, for these columns.

We are now in Apple Cottage, 40 yards across the green, making a short hop similar to that of the old man who sold me No.11 years ago. He moved to Walnut Tree Cottage, another 40 yards to the right.

He's still there and I still feel the Johnny-come-lately in this collection of nine dwellings which, some decades ago, housed servants and estate workers for the Cobbold brewing family, owners then of Tattingsstone Place, the big house next door.

So what's the enduring attraction? Well, there is Suffolk, there is security, and there is the heart-stopping beauty of the Alton Water - a reservoir but, on these shores, a nature reserve landscaped into quiet, leafy backwaters and hosting a profusion of birds including swans, geese, ducks, coots and grebes.

Stick around, and even a city dweller can find out surprising things about wildlife. For example, watching the wild geese heading south for the winter from northern Scotland or even the north coast of Norfolk, you might marvel at their elegance. But it's not all in their genes. Around here, the geese get busy in September, forming ragged, noisy near-V shapes, and honking like drivers in a traffic jam. They seem to be practising.

The gaggles get their act together later in the autumn. I have seen them, some weeks later, whizzing silently in perfect formation, four feet above the mirroring lakeside water before they head south.

Tattingsstone Park, on the edge of Tattingsstone village, four miles south of Ipswich, is reached via 100 yards of winding, tree-lined private drive with parking, horses and ponies on either side - as well as a host of daffodils in springtime.

The houses, when you reach them, form a modified U-shape around a central greensward with a former apple store, 'grooms' and gamekeeper's accommodation on one side. No.1, which used to be a butler's pantry, is on the opposite leg. We garaged our car in a converted cowshed, with the names of former occupants, including Titmouse, Vulture, Busybody and Nicotine, still written on the walls.

No.1 is a Georgian mews house with a large entrance hall which doubles as dining room and takes a nine-foot Macedonian pine at Christmas time. Living room, kitchen and bathroom on the ground floor. There's a side oak staircase now, liberated from a former rectory, and, upstairs, three bedrooms and a separate cloakroom.

I fell in love with the house long after the location swept me off my feet - high ceilings and great cupboards downstairs and varying floor levels upstairs, with two steps down into each of the two main bedrooms. I can trip over a raised floorboard in my new place, but I can walk around No.1 in the dark, enjoying the changes in level.

Security was always a key consideration and for us, it was the perfect hideaway; my boys ran wild and free on the lakeside because we let them, a decision I would not have entertained in London.

There was the occasional price to pay. The storm of October 1987 brought down a huge sycamore in the centre of the Courtyard and flattened our car.

I often give thanks for the sights, and the soul's ease I get from living here. I am also deeply grateful to Peter Eaves, the architect who conceived the Tattingsstone Park conversion and refurbishment project in the 1970s. But Peter has his reward - he still lives here, too.

Jonathan Penn at Strutt & Parker in Ipswich (tel: 01473-214511) is handling the sale of No.1 The Courtyard, Tattingsstone Park.

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INTERNATIONAL ARTS GUIDE

What's on around the world

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Bill T. Jones/Arnie Zane Dance
Company: Blue Phrase, Ballad, New
Duet and Ursonate; Nov 12, 14

EXHIBITIONS
Rijksmuseum Tel: 31-20-673 2121
Whistler and Holland: paintings and
etchings by Whistler (1834-1903), who
made several journeys to the
Netherlands between 1863 and 1903,
most famously in 1889, when he
produced 14 etchings and paintings of
Amsterdam. Also included are works
by Dutch contemporaries; ends
tomorrow

Van Gogh Museum
Tel: 31-20-570 5200
Auguste Préault (1869-1879)
Romanticism in Bronze. 75 sculptures
and medallions by the nonconformist
works, during his lifetime, were
regularly rejected by the Salon jury.
This display includes important works
produced during the 1830s and 1840s;
to Jan 11

OPERA
Het Muziektheater
Tel: 31-20-551 8911
Così fan tutte: by Mozart. Netherlands
Opera production, conducted by Ivor
Bolton in a staging by Jürgen Flimm,
with an entirely new cast;
Nov 8, 10, 13

BALTIMORE

EXHIBITIONS
Baltimore Museum of Art
Tel: 1-410-396 6310
A Grand Design: The Art of the Victoria
and Albert Museum. First stop of a
five-city North American tour of
selected objects from the V&A's
collection. Consists of 250 works of art
ranging from Leonardo da Vinci's
notebooks to shoes by Vivienne
Westwood, presented in sections
which address changes in the
institution's collecting policy; to Jan 18

BERLIN

CONCERTS
Philharmonie Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra,
conducted by Seiji Ozawa in works by
Dutilleul and Berlioz; with tenor Frank
Lopardo, the Ernst-Senff Choir and the
Berlin Boys' Choir; Nov 8

DANCE
Deutsche Oper Tel: 49-30-34384-01
Deutsche Oper Ballet: premiere of
Rosalinde, choreographed by Ronald
Hynd to music by J. Strauss; Nov 11

OPERA
Deutsche Oper Tel: 49-30-34384-01
Die Zauberflöte: by Mozart. Staged by
Günter Krämer, with sets and
costumes by Andreas Reinhardt; Nov 8

CHICAGO

EXHIBITIONS
Art Institute of Chicago
Tel: 1-312-443 3800
● Renoir's Portraits: Impressions of an
Age. Around 65 paintings spanning the
artist's career, of subjects including
Claude Monet and Madame Renoir.
The show has been seen in Ottawa
and will travel to Texas; to Jan 4
● The Modern Midwestern
Landscape: Gertrude Kuhl and Franz
Lipp. Examines the contrasting careers
of these two Chicago-based landscape
architects from the 1930s to the 1970s.
Includes around 70 drawings and
photographs; Kisho Kurakawa Gallery;
to Nov 30

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
Idomeneo: by Mozart. Conducted by
John Nelson in a staging by John
Copley. Casts include Mariella Devia
and Plácido Domingo; Nov 10

EDINBURGH

EXHIBITION
National Gallery of Scotland
Tel: 44-131-624 6200
Discovering the Italian Baroque: The
Denis Mahon Collection. Consisting of
17th and 18th century Italian paintings
by Guercino, Guido Reni and
Domenichino, among others, collected
by Mahon since the 1930s. The
exhibition was in London until May;
opens on Thursday

GLASGOW

EXHIBITION
Burrell Collection
Tel: 44-141-849 7151
Sir John Lavery (1856-1941): The Irish
Glasgow Boy. With all the negative
publicity that the Burrell has received
recently, this overdue Lavery exhibition
has come as something of a relief.
Highlights include "The Tennis Party"
(1885), "State Visit of Queen Victoria to
the Glasgow International Exhibition"
(1888), and major portraits in which the
influence of Whistler is clearly visible;
to Jan 25

LONDON

EXHIBITIONS
Hayward Gallery Tel: 44-171-2610127
Objects of Desire: The Modern Still
Life: Exploring 20th century
developments of a 400-year-old genre,
this show ranges from Picasso and
Matisse to Oldenburg and Warhol;
previously seen in New York; to Jan 4

National Gallery Tel: 44-171-839 3321
Making & Meaning: Holbein's
Ambassadors. This recently cleaned
double portrait by Hans Holbein the

Younger pictures two French
ambassadors to the court of Henry VIII
in 1533. Presented alongside are
drawings and miniatures, and objects
relevant to the painting's political and
religious background; to Feb 1

National Portrait Gallery
Tel: 44-171-306 0055
● Glenys Barton: selection of ceramic
heads and portraits by the British
sculptor; to Jan 11
● Sir Henry Raeburn (1756-1823):
previously seen in Edinburgh, this
exhibition of some 60 paintings
includes the major portraits belonging
to the National Gallery of Scotland as
well as loans from abroad; to Feb 1

Tate Gallery Tel: 44-171-887 8000
● Mondrian: Nature to Abstraction. A
series of drawings and paintings of
trees and the sea, executed in Paris
before 1914, forms the core of this
exhibition of works loaned by the
Gemeentemuseum in the Hague. The
60 works selected trace the artist's
development; beginning with a group
of early river scenes, moving through
his Luminist and Cubist phases,
towards the mature abstraction of his
famous grid paintings; to Nov 30
● The Age of Rossetti, Burne-Jones
and Watts: Symbolism in Britain
1860-1910. Works by British artists
including the pre-Raphaelite Rossetti
and Burne-Jones are presented
alongside those of European
contemporaries; to Jan 4
● The Turner Prize 1997: display of
works by each of the nominees on this
year's all-woman shortlist: Christine
Borland, Angela Bulloch, Cornelia
Parker and Gillian Wearing; to Jan 18

Victoria and Albert Museum
Tel: 44-171-938 8500
Carl and Karin Larsson: Creators of the
Swedish Style. Recreates five rooms of
the famous house at Sundborn, and
examines its extraordinary impact on
the interior design of our century; to
Jan 18

OPERA
London Coliseum
Tel: 44-171-632 8300
● From the House of the Dead: by
Janáček. New English National Opera
production, conducted by Brad Cohen
in a staging by Tim Albery. The
programme is completed by Twice
through the Heart, by Mark-Anthony
Turnage, conducted by Nicholas Kok;
Nov 11, 13
● The Magic Flute: by Mozart.
Nicholas Hytner's English National
Opera production, revived by David
Fitch and conducted by Christopher
Moulds; Nov 8, 14

Shakespeare Theatre
Tel: 44-171-370 5399
The Royal Opera: The Merry Widow,
by Franz Lehár, in a new translation by
Jeremy Sarns. New production by
Graham Vick, with designs by Richard
Hudson; Nov 8, 10, 11

THEATRE
Barbican Theatre
Tel: 44-171-638 8891
Henry V: by Shakespeare. Ron Daniels
directs this Royal Shakespeare
Company production, with Michael
Sheen in the title role; to 22 Nov, after
which it will tour the UK

The Pit, Barbican Centre
Tel: 44-171-638 8891
Romeo and Juliet: by Shakespeare.
New production directed by Michael
Attenborough and designed by Robert
Jones. Play Fearon and Zoe Waites are
the lovers; to Nov 15

National Theatre
Tel: 44-171-928 2252
● An Enemy of the People: by Ibsen,
in a new version by Christopher
Hampton. Directed by Trevor Nunn.
Cast includes Ian McKellen; Olivier
Theatre; in repertory
● Othello: by Shakespeare. Directed
by Sam Mendes and designed by
Anthony Ward. David Harwood plays
Othello, Claire Skinner is Desdemona;
Cottesloe Theatre; in repertory
● The Invention of Love: the
protagonist of Tom Stoppard's new
play is the poet and classical scholar A
E Housman, played by Paul Rhys and
John Wood. Directed by Richard Eyre
and designed by Anthony Ward;
Cottesloe Theatre; in repertory

The Old Vic Tel: 44-171-928 7616
● King Lear: Peter Hall directs
Shakespeare's tragedy for the first
time, in a production based on the
1623 text with Alan Howard in the title
role; in repertory
● Shining Souls: by Chris Hannon.
The last new production of the Peter
Hall Company's season is this comedy
first seen on the Edinburgh Fringe.
Cast includes Shirley Henderson, Tom
Marrion, and Brian Pettifer; in
repertory
● The Provok'd Wife: Lindsay Posner
directs Alison Steadman and Michael
Pennington in Vanbrugh's comic take
on sexual politics in Restoration
England; in repertory
● The Seagull: by Anton Chekhov, in
a version by Tom Stoppard directed by
Peter Hall. Felicity Kendal is Madame
Arkadina, Dominic West her unhappy
son, Michael Pennington her lover; in
repertory
● Waiting for Godot: by Samuel
Beckett. Ben Kingsley and Alan
Howard play Estragon and Vladimir.
Grag Hicks is Lucky, Denis Quilley is
Pozzo. The director is Peter Hall; in
repertory

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
● Los Angeles Philharmonic:
conducted by Roger Norrington in
works by Berlioz, Chopin and
Smetana. With piano soloist Emanuel
Ax; Nov 8, 9
● Los Angeles Philharmonic:
conducted by Oliver Knussen in a
programme including works by



'A Rally', by Sir John Lavery, 1885, a watercolour study for the more famous 'Tennis Party' at the Burrell Collection, Glasgow

Rimsky-Korsakov and Takemitsu;
Nov 14

EXHIBITIONS
Museum of Contemporary Art
Tel: 1-213-628 6222
Cindy Sherman: retrospective tracing
the New York-based artist's
development from the 1970s to the
present. Consisting of 156 works, this
show presents selections from each of
her major series, including Untitled Film
Stills (1977-80), Centrefolds (1981) and
Fairy Tales (1985). The exhibition will
travel to Chicago, Prague, London,
Bordeaux, Sydney and Toronto; to
Feb 1

MUNICH

DANCE
Bayerische Staatsoper
Tel: 49-89-2185 1920
Bayerische Staatsballett: Romeo and
Juliet. John Cranko's choreography is
set to Prokofiev's score, with sets and
costumes by Jürgen Rose; Nov 10

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
● Die verkaufte Braut: by Smetana.
Conducted by Jun Märkl in a staging
by Thomas Langhoff, with sets and
costumes by Jürgen Rose; Nov 8
● Elektra: by R. Strauss. New
production conducted by Peter
Schneider, directed and designed by
Herbert Wernicke; Nov 8, 12

NEW YORK

CONCERTS
Lincoln Center Tel: 1-212-721 6500
New York Philharmonic: conducted by
Charles Dutoit in a programme of
works by Mozart, Barber and
Tchaikovsky. With soprano Barbara
Hendricks; Avery Fisher Hall; Nov 8
DANCE
Joyce Theater Tel: 1-212-242 0800
Slobohan Davies Dance Company:
double-bill of Bank, Davies' most
recent work, choreographed to Matteo
Fargion's percussive score, and the
award-winning The Art of Touch. This
week-long season is the conclusion of
an autumn tour, and part of a festival
of British contemporary dance; ends
tomorrow

EXHIBITIONS
Guggenheim Museum
Tel: 1-212-423 3500
Robert Rauschenberg: major
retrospective consisting of some 400
works spanning the artist's 50 year
career, in which photography and
performance have been dominant
themes. The exhibition begins at the
Solomon R. Guggenheim Museum
SoHo; to Jan 7. A special installation
of The 1/4 mile or 2 Furlong Piece is at
Ace Gallery New York until tomorrow

Metropolitan Museum of Art
Tel: 1-212-879 5500
● Drawings of Filippino Lippi and His
Circle: first major exhibition of work by
the Quattrocento painter. Of the 117
drawings on display, 80 are by Lippi,
including rare loans from around the
world. Raphael and Botticelli, whose
assistant Lippi was, are also
represented; to Jan 11
● Jackson Pollock (1912-1956): Early

Sketchbooks and Drawings. Display of
48 rarely seen pages from the Abstract
Expressionist's sketchbooks, and 24
drawings. Includes studies and
portraits; to Feb 8
● John La Farge: more than 30 works
from the collection, including paintings
and stained glass windows, by the
19th century American artist; to Jan 25
● Picasso - The Engraver: Selections
from the Musée Picasso, Paris. Around
150 engravings, etchings and
woodcuts created between 1900 and
1942; to Dec 21
● The Private Collection of Edgar
Degas: sold at auction after his death
in 1918, more than 200 19th century
French paintings and drawings
collected by the artist who once
imagined establishing his own
museum. Includes works by Ingres,
Delacroix, and Impressionists including
Manet, with one room devoted to
works by Degas himself; to Jan 11

Museum of Modern Art
Tel: 1-212-708 9480
● Achille Castiglioni: Design! First US
retrospective of the Italian architect
and designer; to Jan 6
● Egon Schiele: (1890-1918): The
Leopold Collection, Vienna. Around
150 works by the Austrian
Expressionist, dating from 1905
through 1918; to Jan 4
● From Henri de Toulouse-Lautrec to
Andy Warhol: Exploring Techniques.
Selection of 70 woodcuts, etchings,
lithographs and screenprints from the
collection; to Feb 8
● New Concepts in Printmaking 1:
Peter Halley - installation of
technologically-derived works by the
painter launches a series which aims to
challenge conventional notions of
printmaking; to Feb 8
● On the Edge: Contemporary Art
from the Werner and Elaine
Dannheisser Collection. More than 80
works by artists including Tony Cragg
and Cindy Sherman; to Jan 20

Pierpoint Morgan Library
Tel: 1-212-685 0008
● Cultural Curios: Literary and
Historical Witnesses - relics of the
great and the wise, including such
oddities as Lewis Carroll's pocket
watch and Voltaire's briefcase; to
Jan 4
● Romanticism to Realism - 19th
Century German Drawings: survey of
50 works from the collection, including
drawings by Caspar David Friedrich
and watercolours by Adolph Menzel; to
Jan 4

Whitney Museum of American Art
Tel: 1-212-327 2801
● Fashion and Film: running
concurrently with the Warhol show
(below), this film and video series
traces the relationship between the two
industries, from early fashion newsreels
and the studio designers of the 1930s
to the present; to Jan 18
● The Warhol Look/Glamour Style
Fashion: major retrospective of around
500 works of art, following Warhol's
career from the 1940s to the 1980s,
and also including works by his
contemporaries. The exhibition is
presented in seven sections, and
begins with a consideration of Warhol's
early fascination with Hollywood
glamour; to Jan 18

OPERA

Metropolitan Opera, Lincoln Center
Tel: 1-212-362 8000
● Don Giovanni: by Mozart.
Production by Franco Zeffirelli; Nov 8,
11, 14
● Il Barbiere di Siviglia: by Rossini.
Revival of a staging by John Cox;
Nov 10
● La Cenerentola: by Rossini. New
production conducted by James
Levine in a staging by Cesare Lievi,
with designs by Maurizio Balò; Nov 12

New York State Theater
Tel: 1-212-870 5570
● Don Pasquale: by Donizetti. New
York City Opera. New production,
premiered at Glimmerglass, directed by
Leon Major and conducted by Lucinda
Carver; Nov 9, 14
● Marco Polo: by Tan Dun, premiered
in Munich last year. New production by
the New York City Opera conducted by
the composer and directed by Martha
Clarke; Nov 8
● Xerxes: by Handel. New York City
Opera. New production directed and
conducted by Stephen Wadsworth and
George Manahan; Nov 8, 13

THEATRE
Century, 111 E. 15th St.
Tel: 1-212-239 8200
How I Learned to Drive: by Paula
Vogel. Directed by Mark Brokaw

Helen Hayes, 240 W. 44th St.
Tel: 1-212-307 4100
The Last Night of Ballyhoo: Ron
Lagomarsino directs Alfred Uhry's
Tony-awarding winning comedy, set in
1930s Atlanta

Lucille Lortel, 121 Christopher St.
Tel: 1-212-239 6200
As Bees in Honey Drown: by Douglas
Carter Beane. Directed by Mark
Brokaw. Cast includes T. Scott
Cunningham and J. Smith-Cameron

Minetta Lane Theatre
Tel: 1-212-420 8000
Gross Indecency: The Three Trials of
Oscar Wilde: Written and directed by
Molés Kaufman, based on transcripts,
letters and other writings. Michael
Emerson plays Wilde

PARIS

DANCE
Opéra National de Paris, Palais
Garnier Tel: 33-1-43439696
Paris Opera Ballet: mixed programme
- Soir de fête by Staats. L'Arlésienne
by Petit, and La Symphonie fantastique
by Massine; Nov 8, 9, 11, 12, 13, 14

EXHIBITIONS
Musée Carnavalet
Tel: 33-1-4272 2112
Paris and the Parisians in the time of
Louis IV: more than 300 engravings,
which together create a vivid
impression of 17th century Paris.
Including portraits, images of the city
and its monuments, as well as
proverbs, allegorical works, and
almanacs; to Jan 18

Musée d'Art Moderne, Ville de Paris
Tel: 33-1-5367 4000
Gilbert & George: major retrospective
of the British artists, comprising some
120 works and spanning their career
from their meeting at St. Martin's
School of Art in 1968 to the

"Fundamental Pictures" of last year; to
Jan 4

Musée du Louvre Tel: 33-1-4020 5151
● A Mission to Persia 1897-1912:
display of pictures, objects and
photographs retracing the
archaeological expedition led by
Jacques de Morgan, paying tribute to
his career and the mission's
discoveries about the ancient
civilizations of Iran; to Jan 5
● Etchings from the Low Countries:
display of 110 copper etchings dating
from the 15th and 16th centuries.
Includes works by Lucas de Leyde and
Dürer; to Jan 5
● Pajou, sculpteur du Roi: first
retrospective devoted to works by the
French sculptor (1730-1809),
successful in the French Royal
Academy of Painting and Sculpture
and a favourite of Louis XV and Louis
XVI. The display includes Pajou's five
most famous marble statues, portrait
busts, terracotta sketch-models, and a
large number of drawings including
designs for the opera at Versailles. The
exhibition will travel to New York; to
Jan 18

OPERA
Opéra National de Paris, Opéra
Bastille Tel: 33-1-44731300
● Nabucco: by Verdi. Conducted by
Pinchas Steinberg in a staging by
Robert Carsen; Nov 10, 13
● Turandot: by Puccini. New
production by Francesca Zambello and
conducted by Fabio Luisi; Nov 8, 12

Théâtre des Champs Elysées
Tel: 33-1-4952 5050
● Boris Godunov: by Mussorgsky.
Performed by St. Petersburg's
Marinsky Theatre, conducted by Valery
Gergiev; Nov 10, 11, 12
● Les Fanciullés au Couvent: by
Prokofiev. Performed by the Marinsky
Theatre of St. Petersburg, and
conducted by Valery Gergiev;
Nov 13, 14

PORTO ALEGRE

EXHIBITIONS
Mercosur Biennial of Visual Arts:
retrospective of Latin American art
comprising works by 200 artists from
seven countries: Brazil, Uruguay,
Argentina, Paraguay, Bolivia, Chile and
Venezuela. Held in 11 locations around
the city; to Nov 30

TOKYO

CONCERTS
Sumida Triphony Hall
Tel: 81-3-3269 9999
Vienna Symphony Orchestra:
conducted by Claus Peter Flor in
works by Beethoven and Mendelssohn;
Nov 9

EXHIBITIONS
Museum of Contemporary Art
Tel: 81-3-5245 4111
Loans from the Centre Georges
Pompidou: selection of 127 works from
the Musée National d'Art Moderne in
Paris, on loan while it is refurbished.
Artists represented include Matisse and
Picasso; to Dec 14

VENICE

EXHIBITIONS
Giardini di Castello, the Corderie
della Tana and elsewhere in the city
Venice Biennale: The 47th International
Art Exhibition is larger than ever, with
58 participating nations and a strong
showing from the underdeveloped
world. The theme of the central
exhibition, at the Corderie and the
central Pavilion, is "Future, Present,
Past". Its curator, the critic Germano
Celant, has opted to present the work
of 71 artists in three chronologically
ordered categories spanning from the
1960s to the present, and has chosen
a lot of installation and video works.
Overall, however, painting and
sculpture are rather more in evidence
than in recent years; ends tomorrow

WASHINGTON

EXHIBITIONS
National Gallery of Art
Tel: 1-202-737 4215
● Lorenzo Lotto: Rediscovered Master
of the Renaissance. 50 paintings, many
of them on loan from churches and
museums in Italy. The exhibition will
travel to Bergamo in April and Paris
next October; to Mar 1
● M. C. Escher: exhibition celebrating
the centenary of the birth of Maurits
Escher, the Dutch artist well known for
his visual puzzles and impossible
designs; to Apr 26
● Thomas Moran (1837-1926): first
retrospective devoted to the American
landscape painter. Featuring 100 oils
and watercolours including a selection
of the famous Yellowstone pictures,
painted on a survey expedition in 1871,
which influenced Congress's decision
to create their first National Park. To
Jan 11, after which the exhibition will
tour to Tulsa and Seattle

OPERA

**The Washington Opera, Kennedy
Center**
Tel: 1-202-416 7800
● Pagliacci: by Leoncavallo. The
season opens tonight, with artistic
director Plácido Domingo in the
leading role of a new Franco Zeffirelli
production, conducted by Leonard
Slatkin, with the next performance on
Nov 13
● Roméo et Juliette: by Gounod. New
production, directed by Giancarlo del
Monaco and conducted by Bertrand de
Billy. Juliette is sung by Elizabeth
Futral, Romeo by Marcello Giordani;
first performance on Nov 12

THEATRE

The Shakespeare Theater
Tel: 1-202-393 2700
Othello: by Shakespeare. The West
Yorkshire Playhouse's Jude Kelly
directs an African American cast,
starring Patrick Stewart, in a new
production which promises to be bold;
from Nov 11

FT Arts Guide e-mail:
susanna.rustin@ft.com

Weekend Investor

Wall Street

Now the funds are coming under fire

They're being accused of making trading too hard, reports John Authers

America's mutual fund investors felt the full glare of the world's scrutiny last week and they rose to the occasion, resolutely refusing to quit the market. A week later, the issues have moved full circle. Attention is now concentrated on the behaviour of the mutual fund companies themselves.

The hue and cry over the possibility that savers would leave the market in droves was driven by the fear that modern technological innovations had made it too easy to buy and sell investments in a hurry. But the savers appear to have stayed put.

News that the money in equity mutual funds was not being withdrawn helped to spark the world market recovery. This meant that, by Wednesday this week, the Dow Jones Industrial Average had, albeit briefly, regained all the territory it had lost on Monday last week when it slipped from 7,715.41 to 7,161.15.

Global turbulence continued, but the crisis seems to have been averted for the moment. The latest claim is that mutual funds are making it too hard for investors to trade, or to "time the market". In the past week, the US media has drummed up outrage about their policy of making it difficult for investors to trade between asset classes and funds. This is, of course, a complete reversal of the claim that the industry had made trading too easy - but the issues involved are genuine and important.

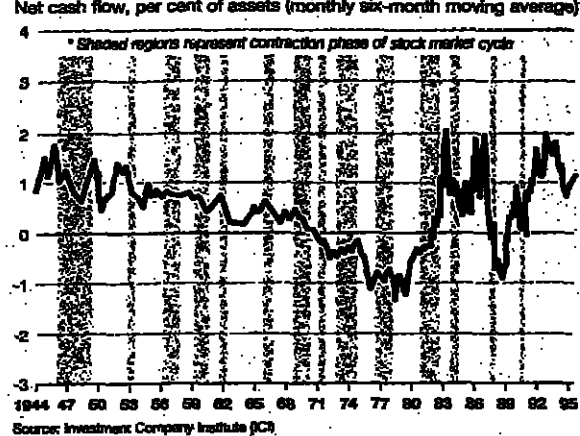
Two episodes, in particular, have sparked the concern. The first was the pricing policy of several large mutual fund complexes, the mighty Fidelity among them. Some investors were annoyed by their use of the concept of "fair value pricing".

The argument of Fidelity and others was that last Tuesday, as Wall Street rebounded after steep sell-offs earlier in the day in Asia, the value of Asian securities obviously had risen when the time came to price their funds - at 4pm New York time when Wall Street closed.

Therefore, it allowed a "fair value" to the price of the Asian funds to incorpo-

Small investors look to the long term

Net flow to equity funds*
Net cash flow, per cent of assets (monthly six-month moving average)



rate some of the rises which clearly had happened since the Hong Kong market closed 13 hours earlier. This, in turn, would discount some of the instant mark-up which it was fair to expect when these markets opened.

Similar principles are used when trading in a share has been halted. As it is usually obvious whether that share will be up or down when trading resumes, it seems unfair to expect fund companies to continue to price their funds on the assumption that it will be unchanged.

A significant bloc of investors was annoyed, however. On Tuesday night, with Wall Street rebounding, they wanted to buy Asian funds at the previous night's closing price in the brief window of opportunity before markets opened on the other side of the Pacific. This was essentially arbitrage - taking advantage in differences between two markets - and the fair value pricing policy stopped them from doing it.

A second incident came when Dreyfus, one of the larger mutuals, sent a letter to its shareholders setting out the measures it intended to take to deter "market timers" - investors who switch between funds in an attempt to catch the peaks and troughs of different sectors.

It said that it would discourage "excessive trading" and that those who traded in and out of a fund four or more times a year would have restrictions put on their dealing. Investors must, by law, be allowed to redeem within one working day of making a request, but

Dreyfus suggested it could delay purchases of funds for up to seven days - which is legal. Again, this stymies those who want to use funds as a vehicle for nipping in and out of the market.

The Investment Company Institute, the industry's trade association, makes clear that these measures are not unusual. Funds, it asserts, are meant for retirement savings, and excessive traders create costs which must be born by the majority of savers who are in the market for the long term.

There are real issues here, though. One reason mutual funds are so powerful is that they are so cheap, convenient and flexible. Critics say that measures to deter short-termists should not be allowed to deteriorate into a mendacious justification for expensive and inflexible products of the kind peddled for generations by life insurers.

There is also one firm lesson, which is that US small investors as a group are now very smart. Quite apart from the events of the past week, they have spent most of this year buying steadily into bonds, just as they should. Securities markets are increasingly global, but this is a state of affairs still unimaginable anywhere else in the world. US small savers, for now, seem unique.

Dow Jones Ind Average

Monday	7,574.39 + 232.31
Tuesday	7,689.13 + 14.74
Wednesday	7,682.57 + 3.44
Thursday	7,683.24 - 9.33
Friday	

London

Worries keep investors edgy

Philip Coggan reflects on good news - and bad

Ever have one of those days? Your car blows up, the boss shouts at you, your 15-year-old daughter says she's leaving home and the final demand comes from the credit card company.

Like a soap opera plot, the worries are piling up for the UK stock market. Investors could do with a long lie-down on the settee and a couple of aspirins. Even the trading system broke down on Wednesday.

The week started well enough. Wall Street did its best to cheer up London, with a 232-point rise in the Dow Jones Industrial Average on Monday suggesting that confidence might be returning to New York.

But yesterday's US non-farm payroll figures showed that the American economy was still growing strongly and revived fears that Alan Greenspan, the Federal Reserve chairman, would move to head off inflationary

pressures by raising interest rates. The Dow shed 150 points within minutes of opening.

The Far Eastern markets continued to cause concern, too. Yesterday, the Nikkei 225 average in Tokyo slipped below 16,000. This increased concerns about the financial health of the banks, which count unrealised gains on their share portfolios as part of their capital base.

A fall to 14,700 would reportedly wipe out all the unrealised profits of the 20 biggest banks.

As if the UK market did not have enough to worry about, the Bank of England added to the gloom on Thursday by increasing base rates to 7.25 per cent. Many had thought it would stay in the face of the recent stock market volatility - although it was still a question of when, rather than if, rates would rise.

The 0.25 percentage point increase was the fifth since

the May general election - and the sixth in this upswing - and took rates to their highest level for five years.

That said, base rates are still below their low point of the 1980s.

The Bank's monetary policy committee said the economy was continuing to grow at an unsustainably strong rate and noted that the pound's strength had failed to moderate export growth so far. But there were plenty of commentators queuing up to argue that the Bank had made a mistake.

"We are surprised that the monetary policy committee turned a blind eye to the strength of sterling, the weakness in financial markets, the lower than expected windfall spending, and the signs of slowdown that are now becoming evident," said Simon Briscoe, at Nikko Europe.

Robin Aspinall, of National Australia Bank,



One of those days when everything goes wrong

added: "It is hard to believe that the monetary policy committee took such risks with the economy and with its credibility."

Short sterling futures, the market's vehicle for speculating on interest rate changes, had been forecasting that rates would go up by the end of the year. Thursday's move pushed them to a point where they indicate that rates may need to rise once, or even twice, more before the peak.

Oddly enough, the actions of the Bank, designed to tackle the threat of inflation, came at a time when the primary worry for the world markets seems to be deflation.

The danger is that the Asian crisis will have two effects; first, the markets for some western goods will decline; second, the countries concerned, with newly devalued currencies, and a problem of overcapacity, will dump cheap goods in the west.

The result might be lower prices for many products: good news for inflation but bad news for profit margins. Accordingly, on this view, the threat to the bull market comes from slower economic and corporate earnings growth rather than higher interest rates.

"Policy-makers (at least in the UK and Europe) are clearly not going to make the same mistake as 1987 and ease too much in the face of stock market turmoil," said Chris Carter, managing director of global equity strategy at UBS. "No indeed. This time, they'd

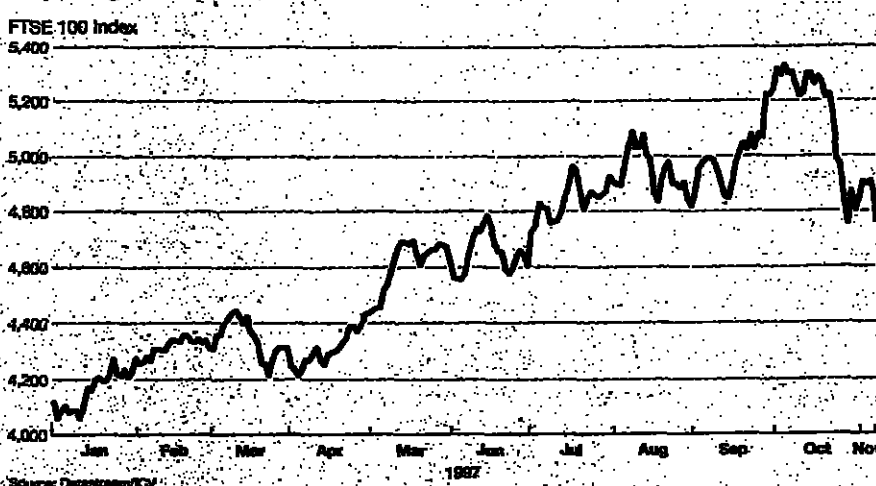
rather make the opposite mistake by tightening in the face of the twin deflationary influences of falling stock prices and Asian economic collapse."

Part of the irony of all this is that markets have been buoyed for a long time by the concept of a "Goldilocks economy" in which growth was neither too fast nor too slow but just right - allowing profits to rise without prompting inflation. Now, there are concerns that this rosy scenario will deteriorate, but there is no consensus over whether the problem will be growth that is too slow or too rapid. Goldilocks has suddenly become Medusa.

The result has been a rapid reversal in the FTSE 100 index. It traded between 4,800 and 5,100 for much of the summer, only to burst out of that range and record all-time highs in late September and early October. Now, it has dropped out of the bottom of the range and is 11.2 per cent down from its intra-day peak, after yesterday's 99.5 point fall. So far, that decline represents a correction rather than a crash.

Robin Griffiths, the chief technical analyst at HSBC James Capel, has some good news and some bad news for investors. "There will be no crash in the UK," he claims, boldly. But he adds: "Roughly, we see Footsie as underwritten at 4,300 and we would buy it on weakness, especially below 4,500." That still leaves scope for further declines in the index from here.

Heading south for the winter



Highlights of the week

	Price	Change	52 week	52 week
	Yield	at week	High	Low
FTSE 100 Index	4784.3	-78.0	5390.8	3910.8
Allied Colloids	115 1/4	+14	141 1/4	99
Associated British Foods	56 1/4	+50	590	270
Cable & Wireless	188	+12 1/2	233 1/2	137 1/2
HSBC (TSE)	140 1/4	-84	238 1/4	121 1/2
Next	740	+30	810	523 1/2
RJB Mining	184	+19 1/2	545	100
Rank Group	342	+9	458 1/2	278
Shirehouse	225 1/2	+12 1/2	305 1/2	184
Thames Water	854	-51	935	552
Unilever	449 1/4	+5 1/2	491	322 1/2
Zeneca	1514	-67	2291	1598

Barry Riley

The pensions hard-sell

It's time for a radical overhaul of old age provision



My pile of submissions to the government's pension review is growing rapidly as the UK savings industry warms to the prospect of aggressive promotion of stakeholder pensions. These are expected to be low-cost, "kite-marked" (or specially approved) contracts segregated from the conventional personal pension plans which lurk out there in the financial services jungle, loaded with high charges and hidden (or at least, mostly unread) penalty clauses. Alarmingly, a third of these plans still lapse within three years, according to the latest survey by the industry's regulator, the Personal Investment Authority.

Some interested parties, such as the National Association of Pension Funds, believe that contributions to second-tier funded pension plans, such as the stakeholder products, will have to be made compulsory in order to avoid the problem of unco-operative "free riders". But the life assurance companies, which hope to win market share through their sales forces rather than see most of the business disappear to telephone-selling companies, tend to favour the voluntary approach.

Either way, the suggestion is that a large-scale build-up of invested funds will largely solve the problem of poverty in retirement. But I am suspicious that this amounts to something of a conspiracy by the savings industry to "mis-sell" a dream. A

purely financial fix will not work. There is a strengthening case for a much more radical overhaul of old age provision.

Elsewhere in Europe, governments have been buckling under the pension burden. This week, the Italian government hammered out the country's third reform of state pensions in five years. Even so, state pensions will still cost Italy the equivalent of 14 per cent of GDP.

The retirement age should be increased to 75 in recognition of the continuing rise in longevity

twice the European average. Is privatisation the answer? There are two big problems: expense, because very large individual pension funds must be accumulated to provide satisfactory pensions; and risk, because the whole exercise amounts to a gamble on future investment returns.

Declining annuity rates have provided the latest cost problem for pension plans. It requires a fund of £150,000 for a woman (£135,000 for a man) to buy an annuity at 60 representing two-thirds of average earnings. Index-linking costs much more.

The NAFF has calculated that contributions of 10 per cent of pay into a personal plan will generate an adequate old age pension. This, however, requires hard-pressed young people in their 20s to contribute. It is only the power of compound interest over 40 years that can make the actuarial sums add up.

As for the investment returns, the normal assumptions seem eminently conservative on the basis of the experience of the past 20 years. But returns tend to vary over a very long cycle.

You would not have proposed such schemes at the end of the 1970s (although, ironically, it would have been a very good time to start investing) and you would not do so in Japan today with the bear market there

notching up its eighth year. The market upsets are causing some second thoughts about the new compulsory provident plan in Hong Kong. Investing in the stock market is risky, and it is optimistic of Legal & General to assume, as it does in its evidence, that kite-marked plans will always be what it describes as "no harm" products.

We should go back to first principles. Pensions started out as a form of cheap insurance against what was then a small risk of surviving into retirement. Now, though, they have developed into a vastly ambitious and expensive system of financing decades of old age (the current life expectancy tables say that a 60-year-old female will survive to 83, on average).

I am certainly not against saving, but the objectives must be realistic. The retirement age should be raised to 75, in

recognition of the rise in longevity which has taken place (and is still extending, at the rate of two years per decade).

In that event, it would be realistic to expect people to accumulate an adequate fund over a 35-year period from age 40, remembering that much larger annuities can be bought at 75. Young people raising families and buying homes need not be pressurised to meet impractical actuarial objectives.

The real challenge then becomes how to adapt the labour market to the realities of today's extended life spans. Fortunately, people are retiring earlier when they are living longer. This, more than the sheer numbers of the elderly, is what threatens to bankrupt state social security systems, as in Italy. It is dangerous to imagine that private funding can be relied upon to bridge such a big financial gap.

But the concept of individuals progressively adapting their workload as they get older has scarcely been developed. There is still the concept of a fixed retirement age, when second careers are needed. And ageism dominates: in most advanced economies, only between 5 and 10 per cent of people aged 65 to 70 are in paid employment.

We must ponder these uncomfortable problems as we peruse the glowing promises and brochures of the pension consultants and the life companies. Here are the projections, they say. Don't worry, leave it to us. Just sign here...

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THE VALUE OF UNITS MAY GO DOWN AS WELL AS UP AND IS NOT GUARANTEED. PAST PERFORMANCE IS NOT NECESSARILY A GUIDE TO FUTURE PERFORMANCE.

Offshore managed funds and UK managed funds are listed in Section One

صندوق الاستثمار

FT WEEKEND

FI

Start the week with...

Nato chief urges setting up of peacekeeping police force

Up till last week, locals in the village of Upper Warble would recall only two events in recent times which had threatened the peace and harmony of their Cotswold community. In 1923 an over-enthusiastic campanologist dislodged the great bell on St Alured's church, causing it to crash through the roof of the nave, injuring himself and the vicar.

Colonel Philpott de la Strange, returning to the Manor House after the second world war, decided his wife had been liaising too closely with the estate taxidermist. In his highly emotional state - compounded by the lingering after-effects of malaria - the Colonel put a torch to the Lutyns-designed house before taking out his parang (a Malay sword) and destroying one of the finest topiary collections in the country.

But, last Wednesday morning, Upper Warble awoke to find things had taken a sinister turn. In the space of a few overnight

hours, all the hanging baskets which had decorated every porch and lamp-post in the village had vanished. The neighbouring hamlets of Chipping Warble and Warble-on-the-Water reported similar disappearances.

More than 100 such decorative objects had gone missing: numerous road signs, and the "Welcome to the Warbles" banner (seen by the local Women's Institute) had been removed from its moorings. Julian Smith-Flaster, a derivatives trader who chairs the Warble parish council, warned of the arrival of urban vandals in rural areas.

There were hints that neighbouring communities, jealous of

Upper Warble's 1997 "Most Pretty Village" award, might be responsible for the mysterious disappearances.

"Our heritage will not be stolen from us," Smith-Flaster told a packed village hall. "We will have our baskets and signs. The Warbles will never be beaten."

Sitting at the back of the meeting, I could not resist a wry smile. It is our small but dedicated band which is responsible for the Warbles' distress. It is all in a good cause. Put simply, our mission is to stop the prettification of England. The Warbles were chosen as the starting point for this grand and noble project.

Arthur McCoy, a man of impeccable rural credentials (he is a specialist on 19th-century silage techniques), is one of the moving forces behind our group. Writing in a recent issue of the Pig Breeders' Gazette, he eloquently put our case.

"England is becoming a theme park," said McCoy. "Prettification threatens to strangle the life out of our communities. Villages are neat, sunny and lifeless. They are no longer for living in, but like Babylonian brotchels, meant only for visiting."

McCoy, who takes on the appearance of an over-ripe tomato when his passions are aroused, painted a dire picture of the future. "Before too long

we village dwellers will be expected to carry hanging baskets down the street with us. We will have to wear special costumes. Those of us considered unsuitable for the tourists to gaze upon will be told to stay indoors. Wholesome rural odours will be outlawed. The bawling of sheep and mooing of cows will be forbidden."

The plan is that, village by village, our stealthy raiders will venture out to remove and destroy every hanging basket in the country. Window boxes will be smashed. Flowers will be returned to the wild. Future generations will thank us for our endeavours.

The other target of our noble campaign is the road sign. At a time when rural libraries are being closed and most villages have to survive on one bus a month, some mad bureaucrat has decided to spend millions littering the country's verges with a bewildering range of ugly iron posts and lettering.

In Upper Warble (pop. 46) there are now four sets of 30mph markers and three sets of 40mph posts. There are also five dead-end and nine cul-de-sac signs. A notice by a ploughed field warns of falling rocks, while a series of fresh signs by the disused railway track warns drivers locomotives.

There is more of this idiocy outside the village. One sign

directs the traveller to the scenic route, the starting point of which is a quarry. Another, beside a bunch of stinging nettles, tells of Upper Warble in bloom. Worst of all is the 10ft display a mile down the road with the message "You are now entering Shakespeare's County".

Contrast this with the position in Ireland, happily blessed with a paucity of signposts. While many might be wandering around wondering where they are for most of the time (a coachload of nuns from Bruges left Dublin for Kerry in late August and has not been seen since), few seem to be adversely affected. After all, being lost - impossible in today's England - can be an enriching experience.

In one daring overnight raid, our gallant band successfully liberated the Warbles of all their ugly objects. We now move on to the rest of the country. Hanging baskets and road signs will be turned into ploughshares. Hopefully, England will never be the same again.

Metropolis

The night I became a police informer

A lightly clad Roger Taylor is a reluctant participant in London's war against vandalism

The policeman asked me if I would like to put some clothes on - but I said I would come as I was despite the chill of the October night. I wanted to get this over with as quickly as possible.

Events had started at about 1am - a series of long low animal grunts which rose to a roar and ended with a splintering crash. I got out of bed and went to the window. Over the road two young men were talking it in turns to push their fists and elbows through the neighbour's brand new wooden fence. After each assault, they examined the results appreciatively before redoubling their efforts.

They were clearly having a lot of fun but the noise was keeping me awake, so I called the police. Normally, this works a treat and barely involves my having to get out of bed.

This is not the first time I have had to summon the constables. I live on a busy road in London's Notting Hill with shops and pubs alongside terraced houses. The constant hubbub of shoppers and traffic is replaced after midnight by a tense silence, pierced only by the crazed laughter and anguished screams of those

gathering in the sodium orange half-light to enact scenes of depravity and violence beneath my window.

Often these are harmless - like the old man who sings "Oh come all ye faithful" into the small hours, but, every so often, things get out of hand.

One night, a drunken woman lay in the middle of the road weeping and refusing to move despite the blaring horn of the car that nearly ran over her and the curses of a man who seemed intent on killing her.

And there was the time two young men kept us up hanging another young man's head against a lamp-post until the blood formed a pool on the pavement. I tried shouting at them but they were barely dressed and sitting in the back of the squad car.

As we moved off, an officer in the front picked up his radio. "Yes, we have the informant in the car."

The informant? It sounded so sinister. Doubts welled up. I started to panic. Guilty memories flashed before me - a student Guy Fawkes party, no wood for the bonfire, an expedition at dead of night to dismantle and remove much of a nearby college cycle shed. What now gave me the right to dispatch these two foolish



young kids into the hands of an unforgiving judicial system and a potentially brutal police force?

The car slowed to allow me a good look at the people being held at the side of the road by more police. Could I identify them?

"Err... yes, that looks like them," I said, not wanting to lie but adding enough uncertainty to my voice to allow an escape route.

"Positive ID. Repeat. Positive ID," the officer said cheerfully into his radio. I half expected him to turn round with a grin and hand me 40 pieces of silver.

Through the rear window I caught sight of the vandals being bundled into the back of the police van.

Guilt gave way to fear. They had recognised me. We were only about 20 yards from my flat. They must have seen me leaving the front door and getting into

the police car. They knew where my wife and child were now sleeping, unaware that I had recklessly endangered their lives.

It could only be a matter of time before they took their revenge: a gallon of petrol through the letterbox and a match. We were all going to die.

Nightmare visions crowded my head and I was filled with admiration for the courage of those who participate in neighbourhood watch schemes. I wrapped my towel tighter round me and stifled a whimper.

We drove round the block and pulled up outside my flat again. The whole journey had lasted only a few moments but had taken me from being half-asleep to the verge of hysteria.

The police asked if I could give them a full statement. A full statement? Had I not done my duty just by calling

them up. Did they now expect me to take the stand and risk my life over some wooden fence which insurance would pay for anyway?

They reassured me that the whole incident would almost certainly not go to trial and would probably end with a small fine, so I agreed to help. But doubts plagued me as I scurried barefoot over the cold asphalt and back into my flat.

My wife got straight to the point. What if they come back and kill us, she asked, a little too bluntly. I repeated what the police had

said. Eventually I drifted off to sleep while trying to work out how to fake my death in a car crash and move to a new continent.

Four days later, the two police officers, who introduced themselves as Nick and Rebecca, called to take my statement.

I asked them why so many criminals chose our neighbourhood as the best place to commit their sins. Rebecca pointed over her shoulder. "Well, a lot of prostitutes work up that end of the street." Then she pointed forward: "And of course

there is another big prostitute area over that way."

None of this was in the estate agent's details when we bought the flat.

But the biggest problem, Rebecca explained, was the 24-hour convenience store on the corner. "It attracts a lot of... undesirable elements," she said, choosing her words carefully. Nick was more blunt. "Drunk rubbish. Three o'clock in the morning and that place is full of drunken rubbish."

They explained that no one had come to take statements on previous occasions because the victims had preferred to be left to the mercy of their assailants than get tangled up with the police.

In this case, Nick said, the vandals had been "out-of-towners" who had missed their bus home. They had clean records and he would have "squared it" with them on the night if the damage had not been so great. But the fence had cost £1,200 and the owner was furious.

I asked if they ever had trouble persuading people to come forward as witnesses. Rebecca said some people were unwilling to attend court, which caused problems. But in general most people were helpful.

Despite this, the Metropolitan Police currently pays up to £500 for anonymous tips-offs which lead to the prevention of crime. The information cannot be used as evidence, but helps the police set up surveillance operations. The scheme is also advertised widely in the belief that it "unsettles" criminals.

As Nick and Rebecca left, they explained it could be a year before the case came to court. No doubt by then my tally of grassed-up crooks will be rising fast and I will be comfortable with the process. Perhaps I will start recording them with notches on the bedpost.

Arcadia

Where revenge is a way of life

Family feuds last for centuries in northern Albania, writes Bruce Konviser

Six hundred years ago the ancestors of today's northern Albanians fled to the mountains to avoid the advancing Turks of the Ottoman empire.

Today, the region's inhabitants are an island of Catholics - but they live according to the Kanun, a code of conduct of their own - the faith of folkways.

Although the Kanun is 500 years old, it was only put into writing in the late 19th century. Its cornerstone is that life and property are sacred: cutting down someone else's tree can be a capital offence.

Although the mountains of northern Albania appear to be sparsely populated, land is at a premium. The inhabitants are virtually self-sufficient, growing their own food and raising their own livestock.

Among the Kanun's dictates are the strict protocols to be observed on the three most important days in anyone's life: birth, marriage and death. And, in the mountains of northern Albania, no breach of etiquette goes unpunished.

Honour and integrity mean that any violent death must be avenged - so setting in motion a cycle of retaliation.

tory murder. The strong arm of the Communist regime was able to suspend this cycle of violence during much of the last 50 years, but now old quarrels have emerged again and new disputes taken root.

The 45-year-old feud between the Doda and Sulejmani families, for example, resurfaced with spectacular violence in August 1994 when members of the Doda family opened fire at a Sulejmani wedding, killing the groom, his uncle and a guest.

Since that wedding day carnage, the Doda men have been virtual prisoners in their own home, knowing that at some point the Sulejmanis will exact their revenge. In addition, the Sulejmanis at first ignored the Kanun ruling that forbids the killing of women and children by threatening the whole Doda family.

For months no Doda - man, woman or child - was able to leave the house. Neighbours supplied them with food. Eventually, the Sulejmanis withdrew the threat against the women and children. The men, however, still risk being shot in their own backyard. The leader of the assault on the wedding party is hiding in

nearby mountains. Let Sulejmani, the family patriarch, looks like a down-trodden Mafia boss. His blazer, which is draped over his shoulder, is worn and faded and his dignity is undone by a hole in the knee of his trousers.

He explains: "In 1949 my brother Gjergj was in love with a Doda girl. But the

He tied his son to a stake and got wood for a fire - he wanted to burn him

youngsters' hormones got ahead of tradition and the girl ended up pregnant. Kanun law says they should both be killed. Our father gathered the men of the family to judge it." The verdict was guilty and the sentence was death.

"He tied his son to a stake - he wanted to burn him. He got wood for a fire and sent for the girl - to burn them together. But the Doda family refused." Somehow, the two families made peace and no one was hurt.

"From 1949 to 1994 everything was OK," Sulejmani says. But 45 years later, in the wedding day shooting, 24-year-old Ilir Sulejmani, his 48-year-old uncle Mark and a friend of Ilir's were killed, a cousin wounded.

When police tried to arrest the Doda men, says Gjin Doda, head of the family, they surrounded the house and shot his 32-year-old son Nikolin when he stepped outside, killing him.

But the country's chief justice, Ndre Molla, gives a different version of the police raid. He says that the Dodas waged a two-hour gun battle with the police, in which Nikolin Doda was killed, two officers injured and the other Dodas escaped.

Sulejmani laments that police and judges are corrupt. They were bound to uphold the law of the state, he says, but like everyone else, they abide by the local lore.

The Kanun has kept its credibility in Europe's poorest country. Not only was Albania cut off from the west during the totalitarian years, it was also isolated from the Communist brethren in eastern Europe.

Resheen, the administrative centre for the county, is home to 8,000 people, and

another 7,000 live in the surrounding villages. The mayor of Resheen, Pashk Biba, concedes that there have been problems with the local police and prosecutors. But he points to a newly appointed police chief as proof that the government is trying to crack down on the blood feuds.

"The Doda case is the result of police incompetence," he admits. "One of the main tasks of the police department is to capture and prosecute criminals. That incompetence was a main factor which brought about these social problems."

A poor economy - local unemployment is around 35 per cent - and the country's descent into anarchy earlier this year have exacerbated the problems.

Chief justice Molla says: "The only way to stop blood feuds is to implement the law." But history is not on his side. "The Kanun has been the basic law of this district for 500 years, so it is very difficult to remove it from people's minds."

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